

**REPORT OF THE AUDIT OF THE
CAMPBELL COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2003**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CAMPBELL COUNTY FISCAL COURT

June 30, 2003

The Auditor of Public Accounts has completed the audit of the Campbell County Fiscal Court for fiscal year ended June 30, 2003. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.

Financial Condition:

The county had total net assets of \$19,506,130 as of June 30, 2003. The fiscal court had unrestricted net assets of \$14,560,728 in its governmental activities as of June 30, 2003, with total net assets of \$18,071,148. In its enterprise funds, total net assets were \$1,434,982. Total debt principal as of June 30, 2003, was \$8,319,754 with \$849,005 due within the next year.

Report Comments:

- The Fiscal Court Should Cancel Healthcare Premiums For Terminated Employees In A Timely Manner
- The Employees of the Fiscal Court Should Account For Compensatory Time Earned and Used
- The County Should Employ Adequate Controls Over Signature Plate
- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- The County Jailer Should Maintain Minimum Records As Prescribed By The State Local Finance Officer Pursuant to KRS 68.210

Deposits:

At one of the county's depositories, on August 31, 2002, the deposits were under pledged by \$178,370.

| <u>CONTENTS</u> | PAGE |
|--|------|
| INDEPENDENT AUDITOR’S REPORT | 1 |
| CAMPBELL COUNTY OFFICIALS | 4 |
| MANAGEMENT’S DISCUSSION AND ANALYSIS | 5 |
| STATEMENT OF NET ASSETS | 15 |
| STATEMENT OF ACTIVITIES | 18 |
| BALANCE SHEET - GOVERNMENTAL FUNDS | 22 |
| STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS | 26 |
| RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES | 33 |
| STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS | 37 |
| STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS | 41 |
| STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS | 45 |
| STATEMENT OF FIDUCIARY NET ASSETS | 49 |
| NOTES TO FINANCIAL STATEMENTS | 51 |
| SUPPORTING SCHEDULES: | |
| BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS | 77 |
| NOTES TO REQUIRED SUPPLEMENTARY INFORMATION | 81 |
| COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS | 84 |
| COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS | 88 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS | 90 |
| SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | 97 |
| NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | 99 |
| REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS | 103 |
| REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 | 107 |
| APPENDIX A: | |
| CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM | |



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Steve Pendery, Campbell County Judge/Executive
Members of the Campbell County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky, as of and for the year ended June 30, 2003, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Campbell County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of some entities that collectively comprise Campbell County Fiscal Court. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units and funds is based upon the reports of other auditors. Those entities were:

Certain portions of the Governmental Funds including:

- Major Special Revenue Fund- Campbell County, Kentucky Fiscal Court Housing Department Housing Choice Voucher Program.
- Major Debt Service Fund- Campbell County Public Properties Corporation

Certain portions of the Proprietary Funds including:

- Major Proprietary Fund-Lakeside Terrace Apartments HUD Project No. 083-44012-236
- Major Proprietary Fund- A. J. Jolly Park



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Those financial statements reflect total assets and revenues of the government-wide financial statements and total assets and revenues or additions of the fund financial statements as follows:

| Government-Wide Financial Statements | Percent of Assets | Percent of Revenues |
|---|--------------------------|----------------------------|
| Primary Government-Governmental Activities | 2.33% | 12.06% |
| Primary Government-Business-Type Activities | 94.61% | 95.73% |
| Fund Financial Statements | | |
| Governmental Funds-Major Funds | 2.42% | 16.16% |
| Proprietary Funds-Major Funds | 94.61% | 95.73% |

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Campbell County Fiscal Court, as of June 30, 2003, and the changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The county has implemented Governmental Accounting Standards Board Statements 33, 34, 37 and 38, which has altered the format and content of the basic financial statements.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. The budgetary comparison for the Housing Choice Voucher Program was not included as supplementary information. However, we did not audit the Housing Choice Voucher Program and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Campbell County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as

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required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining non-major fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated April 29, 2005, on our consideration of Campbell County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following report comments:

- The Fiscal Court Should Cancel Healthcare Premiums For Terminated Employees In A Timely Manner
- The Employees Of The Fiscal Court Should Account For Compensatory Time Earned And Used
- The County Should Employ Adequate Controls Over Signature Plate
- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- The County Jailer Should Maintain Minimum Records As Prescribed By The State Local Finance Officer Pursuant To KRS 68.210

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed –
April 29, 2005

CAMPBELL COUNTY OFFICIALS

For The Year Ended June 30, 2003

Fiscal Court Members:

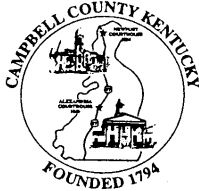
| | |
|--------------------|------------------------|
| Steve Pendery | County Judge/Executive |
| David E Otto | Commissioner |
| William J. Verst | Commissioner |
| Kenneth L. Rechten | Commissioner |

Other Elected Officials:

| | |
|-----------------|----------------------------------|
| Justin Verst | County Attorney |
| Greg Buckler | Jailer |
| Jack Snodgrass | County Clerk |
| Thomas Calme | Circuit Court Clerk |
| John Dunn | Sheriff |
| Daniel Braun | Property Valuation Administrator |
| Mark Schweitzer | Coroner |

Appointed Personnel:

| | |
|-----------------|----------------------------|
| Diane E. Bertke | County Treasurer |
| Linda Eads | Occupational Tax Collector |
| James Seibert | Finance Officer |



County Judge/Executive
STEVE PENDERY

CAMPBELL COUNTY FISCAL COURT

County Commissioners
DAVID E. OTTO
WILLIAM J. VERST
KENNETH L. RECHTIN

Management's Discussion and Analysis **June 30, 2003**

The financial management of Campbell County, Kentucky offers readers of Campbell County's financial statements this narrative overview and analysis of the financial activities of Campbell County for the fiscal year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with other information that we may have furnished in our letter of transmission and the notes to the financial statements.

Financial Highlights

- Campbell County had net assets of \$19,506,130 as of June 30, 2003. The fiscal court had unrestricted net assets of \$14,560,728 in its governmental funds as of June 30, 2003. In its enterprise fund, cash and cash equivalents were \$265,027 with total net assets of \$1,434,982. Total debt principal as of June 30, 2003 was \$8,319,754 with \$849,005 due within one year.
- The government's total net assets increased by \$504,758 from the prior year. This increase is primarily due to an increase in tax revenues that resulted in large part from an improvement in economic conditions in the county.
- At the close of the current fiscal year, Campbell County's balance sheet reported a fund balance of \$12,610,906. Of this amount, \$11,631,129 is available for spending at the government's discretion (unreserved fund balance).
- Campbell County's total indebtedness at the close of fiscal year June 30, 2003 was \$8,319,754, of which \$8,319,754 is long-term debt (due after 1 year) and \$849,005 is short-term debt (to be paid within 1 year). There were no debt additions and debt reductions were \$811,734. Campbell County had capital project expenditures amounting to \$1,535,609 during the year.

Campbell County
Management's Discussion and Analysis
June 30, 2003
(Continued)

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Campbell County's basic financial statements. Campbell County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major source, and program expenses by function. This is the first year of implementation and these schedules will be presented next year.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Campbell County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Campbell County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Campbell County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on the accrual basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Campbell County's governmental activities include general governmental, protection to persons and property, roads, recreation, and social services. The County has several business type activities: A. J. Jolly Park, Lakeside Terrace Apartments and the Housing Choice Voucher Program.

The government-wide financial statements include not only Campbell County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Campbell County has four such entities: A. J. Jolly Park, Lakeside Terrace Apartments, the Housing Choice Voucher Program and the Campbell County Public Properties Corporation. These are known as blended component units.

Campbell County
Management's Discussion and Analysis
June 30, 2003
(Continued)

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Campbell County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Campbell County can be divided into two broad categories: *governmental funds and proprietary funds*.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Campbell County maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General, Road, Jail, Payroll Tax, and the Housing Choice Voucher Program funds, all of which are considered major funds by the County. The Local Government Economic Assistance, Developers Road Escrow, Emergency Shelter Grant, and the Capital Projects funds are considered non-major funds and are represented in a combined form.

Campbell County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds provide the same type of information as the business-type activities column on the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Commissary, Lakeside Terrace Apartments and A. J. Jolly funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Campbell County
Management's Discussion and Analysis
June 30, 2003
(Continued)

Government-wide Financial Analysis

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Table 1
Campbell County's Net Assets

| | Governmental | | Business-type | | Total | |
|---------------------------------|---------------------|--------------|----------------------|-------------|--------------|--------------|
| | Activities | | Activities | | | |
| | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 |
| Assets | | | | | | |
| Current and other assets | \$9,903,724 | \$9,038,019 | \$476,842 | \$282,436 | \$10,380,566 | \$9,320,455 |
| Capital assets | 10,201,910 | 11,234,243 | 1,867,909 | 1,773,004 | \$12,069,819 | \$13,007,247 |
| Other assets | 6,660,528 | 6,275,323 | | 153,950 | \$6,660,528 | \$6,429,273 |
| Total assets | 26,766,162 | 26,547,585 | 2,344,751 | 2,209,390 | 29,110,913 | 28,756,975 |
| Liabilities | | | | | | |
| Current and other liabilities | 748,606 | 711,596 | 191,679 | 159,248 | \$940,285 | \$870,844 |
| Long-term liabilities | 8,502,768 | 7,764,841 | 666,488 | 615,160 | \$9,169,256 | \$8,380,001 |
| Other Liabilities | | | | | | |
| Total liabilities | 9,251,374 | \$8,476,437 | \$858,167 | 774,408 | 10,109,541 | 9,250,845 |
| Net Assets | | | | | | |
| Invested in capital assets, net | | | | | | |
| of related debt | 1,699,142 | 3,510,420 | 1,201,421 | 1,177,073 | \$2,900,563 | \$4,687,493 |
| Restricted | | | | 134,721 | | \$134,721 |
| Unrestricted | 15,815,646 | 14,560,728 | 285,163 | 123,188 | \$16,100,809 | \$14,683,916 |
| Total net assets | \$17,514,788 | \$18,071,148 | \$1,486,584 | \$1,434,982 | \$19,001,372 | \$19,506,130 |

Changes in Net Assets

Governmental Activities. Campbell County's net assets increased by \$556,360 in fiscal year 2003. Key elements of this are as follows:

- Current assets and cash decreased by \$865,705. This was due to the use of reserve funds to make capital purchases including property for the new fiscal court building and a jail security system. In addition reserves were used to meet funding needs for jail and road operations.
- Investment in capital assets, net of related debt increased by \$1,811,278. The bulk of this increase related to the purchase of land for a new Fiscal Court facility.
- Current and long-term liabilities decreased by \$737,927 as a result of long-term debt payments.
- Revenues were \$21,114,137 as reflected in the Statement of Activities.
- Expenditures totaled \$20,557,776 as reflected in the Statement of Activities.

Campbell County
Management's Discussion and Analysis
June 30, 2003
(Continued)

Business-type Activities. Campbell County's net assets for these activities decreased by \$51,602.

Financial Analysis of the County's Funds

As noted earlier, Campbell County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Overview. The focus of Campbell County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 30, 2003 fiscal year, the combined ending fund balance of County governmental funds was \$12,610,906. Approximately 99% (\$11,631,129) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$979,777) is reserved to indicate that it is not available for new spending because it is committed.

The County has 6 major governmental funds. These are: 1) General Fund, 2) Road Fund, 3) Jail Fund, 4) Payroll Tax Fund, 5) Housing Choice Voucher Fund, and 6) Public Properties Corporation. There are eight non-major funds. They are the Local Government Economic Assistance Fund, Waterline Grant Fund, Emergency Shelter Grant, Senior Citizen Tax Fund, Mental Health Tax Fund, Developer Road Fund, Health Services Incorporated Human Resource Fund, and the Capital Projects Fund.

1. The General Fund is the chief operating fund of Campbell County. At the end of the June 30, 2003 fiscal year, unreserved fund balance of the General Fund was \$3,519,803, while total fund balance was \$3,628,553. During fiscal year 2003 there was an increase of \$2,230 from the prior year-end general fund balance. The county received \$3,364,483 in Real Property tax revenues. This accounts for approximately 39% of the general fund revenue. \$2,243,035 was received from personal property, motor vehicle, and insurance taxes, which account for approximately 26% of the county's general fund revenues. Sheriff and Clerk fees accounted for \$946,048 or 11% of general fund revenues. Various other taxes and service fees make up the remaining 24% of revenues.
2. The Road Fund is the fund related to county road and bridge construction and maintenance. The Road Fund had \$256,459 in fund balance at June 30, 2003. The fund balance at the end of the previous year was \$234,634. The higher FY 2003 fund balance was due mainly to the timing of road expenditures. The fiscal year 2003 expenditures for road projects were \$1.54 million. State funding provided a total of \$684,928 in funding for road projects during the fiscal year. Transfers from the general fund provided nearly the entire remaining funding requirement.

Campbell County
Management's Discussion and Analysis
June 30, 2003
(Continued)

3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a fund balance at June 30, 2003 of \$64,610, of which \$64,098 was unreserved. That is an increase in fund balance of \$37,088 from the previous fiscal year-end. The Jail Fund received \$955,352 from the state and federal governments for services, primarily for housing prisoners. Transfers from other funds were used to cover a total of \$1,482,000 in jail expenses.
4. The Payroll Tax Fund is primarily used to provide funds for the operation of the regional transit system. As of 6/30/2003 the balance in this fund was \$7,238,562. This represented a decrease in the fund balance of \$854,128 from the previous year-end. This decrease in fund balance was due mainly to transfers made from the payroll fund to the general fund in order to meet the general funding needs of the County.
5. The Housing Choice Voucher Program ended the 2003 fiscal year with a fund balance of \$98,754. The previous year balance was \$504,814. During the year a transfer of \$350,000 was made from this fund in order to meet future construction costs for new office space for the Housing Choice Voucher Program. The Program derives nearly all of its revenue from The Department of Housing and Urban Development (HUD).
6. The Public Properties Corporation Fund serves as a conduit for the financing of various County projects. Thus bonds and refunding bonds have been issued through this Corporation. The fund balance at the end of 6/30/03 was \$473,639. The 6/30/02 ending fund balance was \$231,823. This increase was primarily due to a contribution of \$350,000 that was made in anticipation of a new fiscal court building.
7. The total fund balance for the non-major funds as of June 30, 2003 was \$850,329. This represented an increase over the prior year of \$ 63,801. Total expenditures for the non-major funds for the year were \$1,891,117. Transfers from other funds provided a total of \$835,885 to cover those expenses. Other revenue sources for the non-major funds include occupational license and payroll taxes designated for Senior Citizens and mental health programs in the County. The Senior Citizen program revenues for the year from this source amounted to \$322,801 for the fiscal year. Mental Health program revenues were \$645,533 for the year. The Mental Health Fund also received \$49,104 in Safe Haven funds from the Federal Government. A total of \$144,000 was transferred out of the Mental Health Fund to cover mental health expenditures made by other funds. Another fund included in this category is the Capital Projects fund. All of the revenue in this fund comes from transfers out of the General Fund. During fiscal year 2003 these transfers totaled \$790,620.

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the business-type activities column of the government-wide statements, but in more detail.

**Campbell County
Management's Discussion and Analysis
June 30, 2003
(Continued)**

Campbell County has three enterprise funds, the Jail Commissary Fund, Lakeside Terrace Apartments, and A. J. Jolly Park.

1. The Jail Commissary Fund had net assets of \$77,357 as of June 30, 2003 and a cash balance of \$69,524. Profits from sales and interest for the year amounted to \$41,889.
2. Lakeside Terrace Apartments had net assets of \$352,881 as of June 30, 2003 with a cash balance of \$101,404. Most of the revenue for this fund is from derived tenant payments. During fiscal year 2003 these tenant payments for rent amounted to \$237,596. Federal payments into this fund for tenant assistance totaled \$47,404.
3. A. J. Jolly Park net assets at 6/30/2003 amounted to \$1,004,744 with a cash balance of \$94,099. The majority of the Park's assets consisted of capital assets such as land and land improvements for this golf and general recreation facility. Net capital assets for Jolly amounted to \$949,721 at the fiscal year-end. Revenues for the golf course amounted to \$697,899 and were derived from user fees.

General Fund Budgetary Highlights

The County's original budget was amended during the fiscal year increasing the operating budget by \$177,998. Budget amendments were made to the General Fund due to grants received and reimbursements of bond expense from other funds.

Actual operating revenues were \$311,335 more than the amount originally budgeted by the Fiscal Court. This increase was primarily due to higher tax revenues.

Actual operating expenditures were \$2,336,425 less than originally budgeted by the Fiscal Court.

The most significant capital asset change for the year related to the purchase of property for construction of a new Fiscal Court building. This expenditure amounted to \$670,437 for the year. Completion of the new facility is expected in fiscal year 2005.

Capital Assets and Debt Administration

Capital Assets. Campbell County's investment in capital assets for its government and business type activities as of June 30, 2003, amounted to \$13,007,247 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles and current-year infrastructure additions. The County has elected to report infrastructure assets per GASB 34 provisions.

Major capital asset events during the 2003 fiscal year included the acquisition of property for a new Fiscal Court Building, the purchase of six police cruisers, the purchase of an upgrade to the jail security system, implementation of a uniform house numbering system within the unincorporated areas of the County, initial work on a technology master plan that included a new telecommunications system along with upgraded computer equipment and completion of a monumental system within the County.

**Campbell County
Management's Discussion and Analysis
June 30, 2003
(Continued)**

Additional information on the County's capital assets can be found in Note 4 of this report.

**Table 2
Campbell County's Capital Assets, Net of Accumulated Depreciation**

| | Governmental | | Business-type | | Total | |
|--------------------------|----------------------|----------------------|----------------------|---------------------|----------------------|----------------------|
| | Activities | | Activities | | | |
| | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 |
| Infrastructure Assets | \$ 492,982 | \$ 639,902 | | | \$ 492,982 | \$ 639,902 |
| Land | 1,292,355 | 1,971,791 | 480,390 | 480,390 | 1,772,745 | 2,452,181 |
| Bldgs. & Improvements. | 7,083,814 | 7,198,446 | 1,208,994 | 1,120,469 | 8,292,808 | 8,318,915 |
| Other Equip. | 540,009 | 622,283 | 165,801 | 163,548 | 705,810 | 785,831 |
| Vehicles & Equip. | 792,754 | 801,821 | 12,724 | 8,597 | 805,478 | 810,418 |
| Total Net Capital Assets | \$ <u>10,201,914</u> | \$ <u>11,234,243</u> | \$ <u>1,867,909</u> | \$ <u>1,773,004</u> | \$ <u>12,069,823</u> | \$ <u>13,007,247</u> |

Capital Assets and Debt Administration

Long-Term Debt. At the end of the 2003 fiscal year, Campbell County had total long-term debt outstanding of \$8,319,754. The amount of this debt due within the next year is \$849,005 and \$7,470,749 is due in subsequent years. This debt is for the district and circuit court facilities, jail and park facilities and equipment and emergency dispatch center equipment. This debt is described in note 5 of the notes to the financial statements.

Other matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2004 fiscal year budget:

- The 2004 fiscal year Adopted Budget continues most services at current levels with the exception for which federal or state funding is decreasing or for projects which have been completed or are nearing completion.
- The increasing cost of housing prisoners in the Campbell County Detention Center continues to be a drain on the overall budget. The County is considering a number of measures to address this problem, which is common to county governments throughout the state.

Requests For Information

This financial report is designed to provide a general overview of Campbell County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the James D. Seibert, Fiscal Director, Campbell County Fiscal Court, 24 West 4th St., Newport, KY 41071.

**CAMPBELL COUNTY
STATEMENT OF NET ASSETS**

June 30, 2003

**CAMPBELL COUNTY
STATEMENT OF NET ASSETS**

June 30, 2003

| | Primary Government | | |
|--------------------------------|------------------------------------|-------------------------------------|---------------|
| | Governmental Activities | Business-Type Activities | Totals |
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 6,020,009 | \$ 265,027 | \$ 6,285,036 |
| Receivables | 2,905,410 | 5,178 | 2,910,588 |
| Prepaid Expenses | 112,600 | 12,231 | 124,831 |
| Noncurrent Assets | | | |
| Long Term Investments | 4,336,918 | | 4,336,918 |
| Notes Receivable | | | |
| Due Within One Year | 312,654 | | 312,654 |
| Due After One Year | 1,625,751 | | 1,625,751 |
| Tenant deposits held in trust | | 19,229 | 19,229 |
| Escrow deposits | | 9,352 | 9,352 |
| Replacement reserve | | 125,369 | 125,369 |
| Capital Assets - Net of | | | |
| Accumulated Depreciation | | | |
| Land | 1,971,791 | 446,451 | 2,418,242 |
| Land Improvements | 258,596 | 623,200 | 881,796 |
| Buildings | 6,939,850 | 531,208 | 7,471,058 |
| Portable building equipment | | 19,582 | 19,582 |
| Equipment for tenant use | | 26,004 | 26,004 |
| Furnishings | | 9,380 | 9,380 |
| Office Furniture and equipment | | 1,037 | 1,037 |
| Maintenance equipment | | 289 | 289 |
| Fixtures | | 2,579 | 2,579 |
| Machinery and equipment | | 104,677 | 104,677 |
| Other Equipment | 622,283 | 8,597 | 630,880 |
| Vehicles and Equipment | 801,821 | | 801,821 |
| Infrastructure Assets - Net | | | |
| of Depreciation | 639,902 | | 639,902 |
| Total Assets | 26,547,585 | 2,209,390 | 28,756,975 |

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF NET ASSETS
June 30, 2003
(Continued)

| | Primary Government | | |
|------------------------------------|---------------------------|----------------------|----------------------|
| | Governmental | Business-Type | |
| | Activities | Activities | Totals |
| LIABILITIES | | | |
| Accounts Payable | \$ 387,587 | \$ 35,699 | \$ 423,286 |
| Accrued Salaries and Payroll Taxes | 324,009 | | 324,009 |
| Accounts payable | | | |
| project improvement | | 71,930 | 71,930 |
| Sales Tax payable | | 2,098 | 2,098 |
| Accrued wages | | 5,261 | 5,261 |
| Accrued payroll taxes payable | | 324 | 324 |
| Accrued interest | | 15,456 | 15,456 |
| Accrued payroll and taxes thereon | | 28,480 | 28,480 |
| Noncurrent Liabilities: | | | |
| Sick Leave Payable | 41,018 | | 41,018 |
| Tenant Security Deposits | | 19,229 | 19,229 |
| Due Within One Year | 772,211 | 76,794 | 849,005 |
| Due In More Than One Year | 6,951,612 | 519,137 | 7,470,749 |
| Total Liabilities | <u>8,476,437</u> | <u>774,408</u> | <u>9,250,845</u> |
| NET ASSETS | | | |
| Invested in Capital Assets, | | | |
| Net of Related Debt | 3,510,420 | 1,177,073 | 4,687,493 |
| Restricted | | 134,721 | 134,721 |
| Unrestricted | 14,560,728 | 123,188 | 14,683,916 |
| Total Net Assets | <u>\$ 18,071,148</u> | <u>\$ 1,434,982</u> | <u>\$ 19,506,130</u> |

The accompanying notes are an integral part of the financial statements.

**CAMPBELL COUNTY
STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2003

**CAMPBELL COUNTY
STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2003

| Functions/Programs Reporting Entity | Expenses | Program Revenues Received | | |
|--|----------------------|----------------------------------|---|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| General Government | \$ 10,577,902 | \$ 225,677 | \$ 1,009,554 | \$ |
| Protection to Persons and Property | 4,304,538 | 822,269 | 760,146 | |
| General Health and Sanitation | 308,105 | 53,878 | 39,967 | 7,500 |
| Social Services | 3,022,141 | | 3,306,183 | |
| Recreation and Culture | 368,264 | 77,914 | | |
| Roads | 1,059,152 | 68 | 692,987 | |
| Bus Service | 424,342 | | 351,695 | |
| Debt Service | 268,638 | 160,023 | | |
| Capital Projects | 224,694 | | | |
| Total Governmental Activities | 20,557,776 | 1,339,829 | 6,160,532 | 7,500 |
| Business-type Activities: | | | | |
| Jail Canteen | 168,794 | 146,718 | | |
| Lakeside Terrace Apartments | 288,525 | 294,831 | | |
| A.J. Jolly Park | 717,939 | 697,899 | | |
| Total Business-type Activities | 1,175,258 | 1,139,448 | | |
| Total Primary Government | \$ 21,733,034 | \$ 2,479,277 | \$ 6,160,532 | \$ 7,500 |

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes and Licenses

Occupational Taxes

Other Taxes

Excess Fees

Intergovernmental Revenues

Not Restricted

Transfers in from Proprietary Funds

Unrestricted Investment Earnings

Other Revenues

Restated HUD Balance

Capital Contribution

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2003
(Continued)

| Net (Expenses) Revenues and Changes in Net Assets | | |
|--|-------------------------------------|----------------|
| Primary Government | | |
| Governmental Activities | Business-Type Activities | Totals |
| \$ (9,342,671) | \$ | \$ (9,342,671) |
| (2,722,123) | | (2,722,123) |
| (206,760) | | (206,760) |
| 284,042 | | 284,042 |
| (290,350) | | (290,350) |
| (366,097) | | (366,097) |
| (72,647) | | (72,647) |
| (108,615) | | (108,615) |
| (224,694) | | (224,694) |
| (13,049,915) | | (13,049,915) |
| | (22,076) | (22,076) |
| | 6,306 | 6,306 |
| | (20,040) | (20,040) |
| | (35,810) | (35,810) |
| (13,049,915) | (35,810) | (13,085,725) |
| 3,364,483 | | 3,364,483 |
| 282,441 | | 282,441 |
| 559,334 | | 559,334 |
| 6,772,244 | | 6,772,244 |
| 1,401,260 | | 1,401,260 |
| 946,048 | | 946,048 |
| 400 | | 400 |
| 53,582 | (53,582) | |
| 160,528 | 37,790 | 198,318 |
| 269,005 | | 269,005 |
| (3,050) | | (3,050) |
| (200,000) | | (200,000) |
| 13,606,275 | (15,792) | 13,590,483 |
| 556,360 | (51,602) | 504,758 |
| 17,514,788 | 1,486,584 | 19,001,372 |
| \$ 18,071,148 | \$ 1,434,982 | \$ 19,506,130 |

The accompanying notes are an integral part of the financial statements.

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CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2003

CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2003

| | General Fund | Road Fund | Jail Fund | (TANK) Payroll Tax Fund |
|-------------------------------------|-------------------------|----------------------|----------------------|--|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 2,308,945 | \$ 102,196 | \$ 59,544 | \$ 1,915,372 |
| Current Investments | 258,314 | | | 214,283 |
| Accounts Rec- Taxes | 351,379 | | | 1,593,611 |
| Accounts Rec-Excess Fees | 140,517 | | | |
| Accounts Rec-Intergov Rev | 16,844 | 197,966 | 98,530 | |
| Accounts Rec-Charges for Services | | | 11,697 | |
| Accounts Rec-Miscellaneous | 103,550 | | 11,874 | |
| Accounts Receivable-HUD | | | | |
| Long Term Investments | 750,877 | | | 3,586,041 |
| Prepaid Expenses | 108,000 | | | |
| Due From Other Funds | 70,745 | | | |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Assets | <u>\$ 4,109,171</u> | <u>\$ 300,162</u> | <u>\$ 181,645</u> | <u>\$ 7,309,307</u> |
| LIABILITIES | | | | |
| Accounts Payable | \$ 108,793 | \$ 18,227 | \$ 55,822 | \$ |
| Accrued salaries and payroll taxes | 217,948 | 25,476 | 61,213 | |
| Deferred Revenue-Del Taxes | 52,435 | | | |
| Due to Other Funds | 101,442 | | | 70,745 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Liabilities | <u>480,618</u> | <u>43,703</u> | <u>117,035</u> | <u>70,745</u> |
| FUND BALANCES | | | | |
| Reserved for: | | | | |
| Encumbrances | 750 | | 512 | |
| TANK Contribution | | | | 870,515 |
| Prepaid Insurance | 108,000 | | | |
| Unreserved: | | | | |
| General Fund Type | 3,519,803 | | | |
| Special Revenue Fund Types | | 256,459 | 64,098 | 6,368,047 |
| Debt Service Fund Types | | | | |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Fund Balances | <u>3,628,553</u> | <u>256,459</u> | <u>64,610</u> | <u>7,238,562</u> |
| Total Liabilities and Fund Balances | <u>\$ 4,109,171</u> | <u>\$ 300,162</u> | <u>\$ 181,645</u> | <u>\$ 7,309,307</u> |

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2003
(Continued)

| Housing Choice Voucher Program | Debt Service Fund Public Properties Corporation | Non- Major Funds | Total Governmental Funds |
|---|--|---------------------------------|---|
| \$ 29,140 | \$ 473,639 | \$ 658,576 | \$ 5,547,412 |
| | | | 472,597 |
| | | 265,586 | 2,210,576 |
| | | | 140,517 |
| | | 29,850 | 343,190 |
| | | | 11,697 |
| | | | 115,424 |
| 84,006 | | | 84,006 |
| | | | 4,336,918 |
| 4,600 | | | 112,600 |
| | | 101,442 | 172,187 |
| <u>\$ 117,746</u> | <u>\$ 473,639</u> | <u>\$ 1,055,454</u> | <u>\$ 13,547,124</u> |
| \$ 1,395 | \$ | \$ 203,350 | \$ 387,587 |
| 17,597 | | 1,775 | 324,009 |
| | | | 52,435 |
| | | | 172,187 |
| <u>18,992</u> | <u></u> | <u>205,125</u> | <u>936,218</u> |
| | | | 1,262 |
| | | | 870,515 |
| | | | 108,000 |
| | | | 3,519,803 |
| 98,754 | | 850,329 | 7,637,687 |
| | 473,639 | | 473,639 |
| <u>98,754</u> | <u>473,639</u> | <u>850,329</u> | <u>12,610,906</u> |
| <u>\$ 117,746</u> | <u>\$ 473,639</u> | <u>\$ 1,055,454</u> | <u>\$ 13,547,124</u> |

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2003
(Continued)

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

| | |
|--|----------------------|
| Total Fund Balances | \$ 12,610,906 |
| Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because: | |
| Notes Receivable: One year | 312,654 |
| Notes Receivable: More than one year | 1,625,751 |
| Deferred Revenue-Delinquent Taxes | 52,435 |
| Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds. | 17,067,505 |
| Depreciation | (5,833,262) |
| Liabilities: | |
| Due Within One Year - Bonds, Notes, and Other Principal Payments | (772,211) |
| Due In More Than One Year - Bonds, Notes, and Other Principal Payments | (6,951,612) |
| Sick Leave Payable | (41,018) |
| Net Assets of Governmental Activities | <u>\$ 18,071,148</u> |

The accompanying notes are an integral part of the financial statements.

**CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

For The Year Ended June 30, 2003

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For The Year Ended June 30, 2003

| | General Fund | Road Fund | Jail Fund | (TANK) Payroll Tax Fund |
|---|-------------------------|----------------------|----------------------|--|
| REVENUES | | | | |
| Taxes | \$ 5,665,968 | \$ | \$ | \$ 5,810,390 |
| Excess Fees | 946,047 | | | |
| Licenses and Permits | 194,539 | | | |
| Intergovernmental | 593,777 | 684,928 | 955,352 | 351,695 |
| Charges for Services | 41,067 | | 169,838 | |
| Miscellaneous | 1,149,531 | 68 | 53,078 | |
| Interest | 65,184 | 872 | 279 | 76,921 |
| Total Revenues | <u>8,656,113</u> | <u>685,868</u> | <u>1,178,547</u> | <u>6,239,006</u> |
| EXPENDITURES | | | | |
| General Government | 2,592,775 | | | 3,807,936 |
| Protection to Persons and Property | 2,181,464 | | 1,883,825 | |
| General Health and Sanitation | 307,568 | | | |
| Social Services | 121,286 | | | |
| Recreation and Culture | 247,619 | | | |
| Roads | | 1,212,395 | | |
| Bus Service | | | | 424,342 |
| Debt Service | 472,594 | 102,152 | 1 | |
| Capital Projects | 670,437 | 4,835 | | |
| Administration | 1,960,006 | 219,661 | 543,217 | 2,334 |
| Total Expenditures | <u>8,553,749</u> | <u>1,539,043</u> | <u>2,427,043</u> | <u>4,234,612</u> |
| Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses) | <u>102,364</u> | <u>(853,175)</u> | <u>(1,248,496)</u> | <u>2,004,394</u> |

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For The Year Ended June 30, 2003
(Continued)

| Housing Choice Voucher Program | Debt Service Fund Public Properties Corporation | Non- Major Funds | Total Governmental Funds |
|---|--|---------------------------------|---|
| \$ | \$ | \$ 968,334 | \$ 12,444,692 |
| | | | 946,047 |
| | | | 194,539 |
| 3,031,542 | 154,720 | 97,704 | 5,869,718 |
| | | | 210,905 |
| | 5,303 | 228,716 | 1,436,696 |
| 7,725 | 1,551 | 7,977 | 160,509 |
| <u>3,039,267</u> | <u>161,574</u> | <u>1,302,731</u> | <u>21,263,106</u> |
| | | 831,803 | 7,232,514 |
| | | | 4,065,289 |
| | | | 307,568 |
| 2,657,037 | | 239,252 | 3,017,575 |
| | | | 247,619 |
| | | 1,252 | 1,213,647 |
| | | | 424,342 |
| | 500,058 | 9,884 | 1,084,689 |
| 5,935 | 79,453 | 798,185 | 1,558,845 |
| 422,105 | 17,885 | 10,741 | 3,175,949 |
| <u>3,085,077</u> | <u>597,396</u> | <u>1,891,117</u> | <u>22,328,037</u> |
| (45,810) | (435,822) | (588,386) | (1,064,931) |

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For The Year Ended June 30, 2003
(Continued)

| | General Fund | Road Fund | Jail Fund | (TANK) Payroll Tax Fund |
|---|-------------------------|----------------------|----------------------|--|
| Other Financing Sources (Uses) | | | | |
| Adjusted to HUD Balance | \$ | \$ | \$ | \$ |
| Campbell County Consolidated Dispatch Board | 41,365 | | | |
| Campbell County Extension | 79,606 | | | |
| Lease Payment- Dispatch Board | | | | |
| Kentucky Association of Counties- | | | | |
| Leasing Trust-Financing Obligation | 510,072 | | | |
| Campbell County Consolidated Dispatch Board | (510,072) | | | |
| Transfers In From Proprietary Funds-Principal | 6,750 | | | |
| Transfers In from Proprietary Funds-Other | 8,492 | | | |
| Transfers From Other Funds | 2,955,754 | 875,000 | 1,482,000 | |
| Transfers To Other Funds | (3,192,101) | | (196,416) | (2,858,522) |
| Total Other Financing Sources (Uses) | <u>(100,134)</u> | <u>875,000</u> | <u>1,285,584</u> | <u>(2,858,522)</u> |
| Net Change in Fund Balances | 2,230 | 21,825 | 37,088 | (854,128) |
| Fund Balances - Beginning (Restated) | <u>3,626,323</u> | <u>234,634</u> | <u>27,522</u> | <u>8,092,690</u> |
| Fund Balances - Ending | <u>\$ 3,628,553</u> | <u>\$ 256,459</u> | <u>\$ 64,610</u> | <u>\$ 7,238,562</u> |

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For The Year Ended June 30, 2003
(Continued)

| Housing Choice Voucher Program | Debt Service Fund Public Properties Corporation | Non- Major Funds | Total Governmental Funds |
|---|--|---------------------------------|---|
| \$ (3,050) | \$ | \$ | \$ (3,050) |
| | | | 41,365 |
| | | | 79,606 |
| | | | 510,072 |
| | | | (510,072) |
| | 16,800 | | 23,550 |
| | 21,540 | | 30,032 |
| | 639,298 | 835,885 | 6,787,937 |
| (357,200) | | (183,698) | (6,787,937) |
| (360,250) | 677,638 | 652,187 | 171,503 |
| (406,060) | 241,816 | 63,801 | (893,428) |
| 504,814 | 231,823 | 786,528 | 13,504,334 |
| \$ 98,754 | \$ 473,639 | \$ 850,329 | \$ 12,610,906 |

The accompanying notes are an integral part of the financial statements.

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CAMPBELL COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2003

CAMPBELL COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2003

Reconciliation to the Statement of Activities:

| | | |
|--|----|-----------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | (893,428) |
|--|----|-----------|

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

| | | |
|---|-----------|---------|
| Capitalized Infrastructure Expenditures | | 231,953 |
| Capital Outlay | 1,253,285 | |
| Depreciation Expense | (452,904) | |
| Capital Contribution | (200,000) | |

KACO financing obligations and bond principal payments are expensed in the governmental funds as a use of current financial resources.

| | | |
|---|----------|---------|
| Bonds Paid | | 435,000 |
| KACO Principal Paid | 306,177 | |
| Receipt from Extension for Bond Payment | (79,606) | |
| Receipt from Dispatch for Lease Payment | (41,365) | |
| Change in delinquent tax receivable | 498 | |
| Change in compensated absences | (3,250) | |

| | | |
|---|----|----------------|
| Change in Net Assets of Governmental Activities | \$ | <u>556,360</u> |
|---|----|----------------|

The accompanying notes are an integral part of the financial statements.

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CAMPBELL COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS

June 30, 2003

CAMPBELL COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS

June 30, 2003

| | Business Type Activities | | | |
|--------------------------------|----------------------------------|--|--------------------------------|--|
| | Jail Canteen Fund | Lakeside Terrace Apartments | A.J. Jolly Park | Total Proprietary Funds |
| Assets | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | \$ 69,524 | \$ 101,404 | \$ 94,099 | \$ 265,027 |
| Accounts receivable | 3,048 | 1,639 | 491 | 5,178 |
| Miscellaneous Prepaid Expenses | | 12,231 | | 12,231 |
| Total Current Assets | 72,572 | 115,274 | 94,590 | 282,436 |
| Noncurrent Assets: | | | | |
| Restricted deposits | | | | |
| Tenant deposits held in trust | | 19,229 | | 19,229 |
| Escrow deposits | | 9,352 | | 9,352 |
| Replacement reserve | | 125,369 | | 125,369 |
| Total Restricted deposits | | 153,950 | | 153,950 |
| Capital Assets: | | | | |
| Land and Improvements | | 268,340 | | 268,340 |
| Land | | | 446,451 | 446,451 |
| Land Improvements | | | 688,820 | 688,820 |
| Buildings | | 1,635,079 | 121,869 | 1,756,948 |
| Building Equipment-portable | | 27,162 | | 27,162 |
| Equipment for tenant use | | 75,528 | | 75,528 |
| Furnishings | | 36,743 | | 36,743 |
| Office Furniture and Equipment | | 6,417 | | 6,417 |
| Fixtures | | | 85,901 | 85,901 |
| Maintenance equipment | | 6,756 | | 6,756 |
| Machinery and Equipment | | | 531,294 | 531,294 |
| Vehicles and Equipment | 28,633 | | | 28,633 |
| Total Capital Assets | 28,633 | 2,056,025 | 1,874,335 | 3,958,993 |
| Less Accumulated Depreciation | (20,036) | (1,241,339) | (924,614) | (2,185,989) |
| Net Capital Assets | 8,597 | 814,686 | 949,721 | 1,773,004 |
| Total Noncurrent Assets | 8,597 | 968,636 | 949,721 | 1,926,954 |
| Total Assets | \$ 81,169 | \$ 1,083,910 | \$ 1,044,311 | \$ 2,209,390 |

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2003
(Continued)

| | Business Type Activities | | | |
|--|----------------------------------|--|--------------------------------|--|
| | Jail Canteen Fund | Lakeside Terrace Apartments | A.J. Jolly Park | Total Proprietary Funds |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Accounts payable | \$ 2,930 | \$ 23,780 | \$ 8,989 | \$ 35,699 |
| Accounts payable-project improvement | | 71,930 | | 71,930 |
| Current Portion of Mortgage Payable | | 76,794 | | 76,794 |
| Sales tax payable | | | 2,098 | 2,098 |
| Accrued wages | 798 | 4,463 | | 5,261 |
| Accrued payroll taxes payable | 84 | 240 | | 324 |
| Accrued interest | | 15,456 | | 15,456 |
| Accrued payroll and taxes thereon | | | 28,480 | 28,480 |
| Total Current Liabilities | 3,812 | 192,663 | 39,567 | 236,042 |
| Noncurrent Liabilities | | | | |
| Tenant security deposits | | 19,229 | | 19,229 |
| Mortgage payable, less current portion | | 519,137 | | 519,137 |
| Total Noncurrent Liabilities | | 538,366 | | 538,366 |
| Total Liabilities | 3,812 | 731,029 | 39,567 | 774,408 |
| Net Assets | | | | |
| Invested in Capital Assets, Net of Related Debt | 8,597 | 218,755 | 949,721 | 1,177,073 |
| Restricted Deposits | | 134,721 | | 134,721 |
| Unrestricted | 68,760 | (595) | | 68,165 |
| Debt Service Requirements | | | 323,754 | 323,754 |
| Recreation project grants | | | 208,701 | 208,701 |
| Operations | | | (477,432) | (477,432) |
| Total Net Assets | \$ 77,357 | \$ 352,881 | \$ 1,004,744 | \$ 1,434,982 |

The accompanying notes are an integral part of the financial statements.

**CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS**

For The Year Ended June 30, 2003

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS

For The Year Ended June 30, 2003

| | Enterprise Funds | | | |
|---|--------------------------|------------------------------------|------------------------|---------------|
| | Jail Canteen Fund | Lakeside Terrace Apartments | A.J. Jolly Park | Totals |
| Operating Revenues | | | | |
| Rent revenue-gross potential | \$ | \$ 237,596 | \$ | \$ 237,596 |
| Tenant assistance payments | | 47,404 | | 47,404 |
| Rent revenue-miscellaneous | | 17,837 | | 17,837 |
| Total Potential Rent Revenue | | 302,837 | | 302,837 |
| Vacancies-apartments | | (8,006) | | (8,006) |
| Net Rental Revenue | | 294,831 | | 294,831 |
| Canteen Receipts | 41,889 | | | 41,889 |
| Golf | | | 477,783 | 477,783 |
| Clubhouse | | | 220,116 | 220,116 |
| Laundry and Vending Revenue | | 3,461 | | 3,461 |
| Total Operating Revenues | 41,889 | 298,292 | 697,899 | 1,038,080 |
| Less: | | | | |
| Rent expense-power carts | | | (54,018) | (54,018) |
| Gross Profit on | | | | |
| Operating Revenues | 41,889 | 298,292 | 643,881 | 984,062 |
| Operating Expenses | | | | |
| Golf | | | (422,078) | (422,078) |
| Clubhouse | | | (163,578) | (163,578) |
| Administrative | | (58,173) | (46,229) | (104,402) |
| Educational and Recreational | (18,168) | | | (18,168) |
| Personnel Costs and Medical Co-payments | (25,160) | | | (25,160) |
| Depreciation | (4,127) | (55,531) | (85,618) | (145,276) |
| Utilities | | (90,179) | | (90,179) |
| Operating and Maintenance Expense | | (60,453) | | (60,453) |
| Taxes and Insurance | | (19,358) | | (19,358) |
| Financial Expense | | (4,831) | | (4,831) |
| Miscellaneous Expenses | (16,510) | | | (16,510) |
| Total operating expenses | (63,965) | (288,525) | (717,503) | (1,069,993) |
| Operating Income (Loss) | (22,076) | 9,767 | (73,622) | (85,931) |

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
For The Year Ended June 30, 2003
(Continued)

| | Enterprise Funds | | | |
|--|----------------------------------|--|--------------------------------|---------------|
| | Jail Canteen Fund | Lakeside Terrace Apartments | A.J. Jolly Park | Totals |
| Nonoperating Revenues (Expenses) | | | | |
| Revenue from investments-project operations | \$ | \$ 1,190 | \$ | \$ 1,190 |
| Revenue from investments-reserve for replacements | | 1,634 | | 1,634 |
| Total Financial Revenue | | 2,824 | | 2,824 |
| Interest reduction payments revenue | | 30,801 | | 30,801 |
| Total Other Revenue | | 30,801 | | 30,801 |
| Interest Income | 704 | | | 704 |
| Total Nonoperating Revenues (Expenses) | 704 | 33,625 | | 34,329 |
| Change In Net Assets | (21,372) | 43,392 | (73,622) | (51,602) |
| Total Net Assets - Beginning | 98,729 | 309,489 | 1,078,366 | 1,486,584 |
| Total Net Assets - Ending | \$ 77,357 | \$ 352,881 | \$ 1,004,744 | 1,434,982 |

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF CASH FLOWS- PROPRIETARY FUNDS

For The Year Ended June 30, 2003

CAMPBELL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For The Year Ended June 30, 2003

| | Business-Type Activities-Enterprise Funds | | | |
|---|--|--|-------------------------------|---------------|
| | Jail Canteen Fund | Lakeside Terrace Apartments | A.J Jolly Park | Totals |
| Cash Flows From Operating Activities | | | | |
| Receipts From Customers | \$ 40,097 | \$ | \$ | \$ 40,097 |
| Receipts from Green Fees | | | 477,783 | 477,783 |
| Lunchroom Concessions | | | 12,060 | 12,060 |
| Rental of Golf Carts | | | 203,358 | 203,358 |
| Miscellaneous Rentals | | | 1,221 | 1,221 |
| Rental Receipts | | 276,994 | | 276,994 |
| Laundry and vending revenue | | 3,461 | | 3,461 |
| Excess rent retained by project | | 17,837 | | 17,837 |
| Other Revenue | | | 3,477 | 3,477 |
| Commissary Prison Equipment | (18,125) | | | (18,125) |
| Personnel Costs | (24,154) | | | (24,154) |
| Cash payments for personal services | | (69,806) | (306,443) | (376,249) |
| Cash payments to suppliers | | (158,158) | (405,843) | (564,001) |
| Miscellaneous Expenses | (16,510) | | | (16,510) |
| Net Cash Provided By (used in) Operating Activities | (18,692) | 70,328 | (14,387) | 37,249 |
| Cash Flows From Capital and Related Financing Activities | | | | |
| Purchase of Capital Assets | | (22,041) | (28,330) | (50,371) |
| Mortgage principal payments | | (70,557) | | (70,557) |
| Net Cash (Used) By Capital and Related Financing Activities | | (92,598) | (28,330) | (120,928) |
| Cash Flows From Investing Activities | | | | |
| Interest Earned | 704 | 2,824 | | 3,528 |
| Net deposits to reserve for replacements account | | (11,066) | | (11,066) |
| Net deposits to the mortgage escrow account | | (2,947) | | (2,947) |
| Interest Reduction Payments Revenue | | 30,801 | | 30,801 |
| Net Cash Provided By Investment Activities | 704 | 19,612 | | 20,316 |
| Net (Decrease) in Cash and Cash Equivalents | (17,988) | (2,658) | (42,717) | (63,363) |
| Cash and Cash Equivalents - July 1 | 87,512 | 104,062 | 136,816 | 328,390 |
| Cash and Cash Equivalents - June 30 | \$ 69,524 | \$ 101,404 | \$ 94,099 | 265,027 |

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF CASH FLOWS-
PROPRIETARY FUNDS
For The Year Ended June 30, 2003
(Continued)

| | Business-Type Activities-Enterprise Funds | | | |
|---|--|--|-------------------------------|------------------|
| | Jail Canteen Fund | Lakeside Terrace Apartments | A.J Jolly Park | Totals |
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating | | | | |
| Operating Income (Loss) | \$ (22,076) | \$ 9,767 | \$ (73,622) | \$ (85,931) |
| Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities | | | | |
| Depreciation Expense | 4,127 | 55,531 | 85,618 | 145,276 |
| Accounts Receivable | (1,792) | (1,467) | (469) | (3,728) |
| Prepaid Expenses | | (3,896) | | (3,896) |
| Accounts Payable | 692 | 8,930 | (8,274) | 1,348 |
| Sales Tax Payable | | | (55) | (55) |
| Accrued Liabilities | | 1,463 | | 1,463 |
| Accrued Payroll and Taxes | 357 | | (785) | (428) |
| Transfer for Lease Payment | | | (16,800) | (16,800) |
| Total Cash Provided By Operating Activities | \$ (18,692) | \$ 70,328 | \$ (14,387) | \$ 37,249 |

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2003

CAMPBELL COUNTY
STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2003

| | Agency Funds | | | |
|------------------------------------|------------------------------------|---|-----------------------------|------------------|
| | Jail Inmate Account | Consolidated Payroll Tax Account | Performance Bond | Totals |
| Assets | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | \$ 8,827 | \$ 19,374 | \$ 3,990 | \$ 28,201 |
| Total Assets | 8,827 | 19,374 | 3,990 | 28,201 |
| Liabilities | | | | |
| Amounts Held In Custody For Others | 8,827 | 19,374 | 3,990 | 28,201 |
| Total Liabilities | \$ 8,827 | \$ 19,374 | \$ 3,990 | \$ 28,201 |

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

| | | |
|----------|--|----|
| NOTE 1. | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES..... | 51 |
| NOTE 2. | DEPOSITS AND INVESTMENTS | 61 |
| NOTE 3. | OPERATING LEASES | 62 |
| NOTE 4. | CAPITAL ASSETS | 63 |
| NOTE 5. | JOINT VENTURE..... | 65 |
| NOTE 6. | NOTES RECEIVABLE | 66 |
| NOTE 7. | CAPITAL LEASE RECEIVABLE..... | 66 |
| NOTE 8. | LONG-TERM DEBT..... | 67 |
| NOTE 9. | INTEREST ON LONG-TERM DEBT AND FINANCING OBLIGATIONS | 72 |
| NOTE 10. | FIRST MORTGAGE BONDS-MAY 1, 1963 ISSUE-DEFEASEMENT..... | 73 |
| NOTE 11. | SUBSEQUENT EVENTS | 73 |
| NOTE 12. | EMPLOYEE RETIREMENT SYSTEM | 73 |
| NOTE 13. | CHANGES IN ACCOUNTING PRINCIPLES | 73 |
| NOTE 14. | ESTIMATED INFRASTRUCTURE HISTORICAL COST | 74 |

**CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Reporting Entity

For financial reporting purposes, the Campbell County Fiscal Court includes the funds, agencies, boards, and entities for which the fiscal court (primary government) is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the primary government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if fiscal court is financially accountable or their exclusion would cause the financial statements to be misleading or incomplete.

Component units may be blended or discretely presented. Blended component units are those that either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. Amounts related to blended component units are included as if the component unit was part of the primary government.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blended method.

Campbell County Fiscal Court Housing Voucher Department Housing Choice Voucher Program:

The Campbell County Fiscal Court operates the Housing Voucher Department Housing Voucher Program. It is engaged in providing rental assistance to persons of low income and who, for the most part are residents of Campbell County, Kentucky. Funds to operate the program are obtained principally from the U.S. Department of Housing and Urban Development. This component unit is blended within the financial statements of the county.

Campbell County Public Properties Corporation:

The Board of Directors of the Campbell County Public Properties Corporation is made up entirely of the members of the Campbell County Fiscal Court. The Corporation is created solely for the benefit of the fiscal court per KRS 58.180 to act as an agent in the acquisition and financing of any public project and cannot be sued in its own name without recourse to the Campbell County Fiscal Court. The fiscal court has access to the Corporation's resources, is legally obligated to finance the debts or provide financial support to the Corporation. The Corporation is financially accountable to the fiscal court. This component unit is blended within the financial statements of the county.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

Lakeside Terrace Apartments HUD Project No. 083-44012-236:

The Project is a 96-Unit apartment complex for the elderly located in Highland Heights, Kentucky. The Project is operated under Section 236 of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development with respect to rental charges and operating methods. The Project's major program is its Section 236 direct loan. Legal title to the Project is held by the Campbell County Public Properties Corporation, a nonprofit corporation. This component unit is blended within the financial statements of the county.

A. J. Jolly Park:

The activities of A. J. Jolly Park (an agency of the Campbell County Fiscal Court) are accounted for using the enterprise fund principle. This reporting method was adopted to account for the park operations in a manner similar to private business enterprises. The major portion of land on which the Park is operated is owned by Campbell County Public Parks Corporation, which used two related bond issues to acquire it. Once the bonds are retired, the Public Park Corporation will transfer title of the property to the county. This component unit is blended within the financial statements of the county.

As noted in the above paragraph, the four blended component units were audited by other auditors and their reports can be obtained in their entirety at the following address:

Campbell County Fiscal Court
24 West Fourth Street
PO Box 72340
Newport, KY 41072-0340

Additional - Campbell County Elected Officials

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

Kentucky law provides for election of the officials above from the geographic area constituting Campbell County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements

The Statement of Net Assets and Statement of Activities report information on all governmental and business-type activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities are generally characterized by their use of taxes and intergovernmental revenues as funding sources. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in government-wide financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Therefore, deferred revenues are only reported for receipts of prepayments or revenues collected in advance (unearned revenues). Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenues once provider-imposed eligibility requirements have been met.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities with the difference between the two shown as net assets. Net assets are reported in three categories: 1) invested in capital assets, related debt-consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets-resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets- those assets that do not meet the definition of restricted net assets or invested in capital assets.

A significant feature of the government-wide statement of activities is the presentation of each program's net cost. GAAP requires the reporting of a program's net cost to indicate how self-sustaining the program is and to reveal the extent of reliance on other governmental units. Net cost is obtained by subtracting program expenses from program revenues. Program expenses are those costs attributable to a particular function including certain indirect costs. GAAP permit both direct and indirect program expenses to be presented together in an "Expenses" column. Therefore, indirect expenses are not specifically identified with individual functions and activities.

Program revenues are resources that derive directly from the program itself or from parties outside the government that reduce the total expense of the benefiting functional activity to arrive at the net expense of the activity. The statement of activities categorizes program revenues into three groups; charges for goods, services, and other benefits; operating grants and contributions; and capital grants and contributions. Revenues not considered program revenues are classified as general revenues. General revenues include all taxes regardless of type.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Fund Financial Statements

The accompanying financial statements are structured into three fund categories including governmental funds, proprietary funds and fiduciary funds. Funds are categorized as either major or nonmajor. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds of the category or type (governmental or enterprise funds), and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary, and fiduciary funds. Major individual funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

All governmental fund statements are accounted for on the modified accrual basis of accounting and focus on the flow of current financial resources. In accordance with the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the fiscal period. Revenues are considered to be available when they are either collected within the current period or their collection is expected shortly after the end of the current period in time to meet current liabilities. The county generally includes those revenues to be received up to 90 days following the end of the accounting period. Revenues expected to be collected after 90 days beyond the end of the accounting period are considered unavailable and are reported as deferred revenues. Deferred revenues also include amounts received but unearned as of June 30.

In governmental funds, where the focus is on the flow of current resources, expenditures are usually recorded at the time liabilities are incurred. Exceptions are: inventories, prepayments, and acquisition of capital assets which are recorded at the time of acquisition; principal and interest on long-term debt, as well as compensated absences which are recorded as expenditures in the period payment is made.

The government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, other counties for housing prisoners and transfers from the General Fund. The Governor's Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Payroll Tax Fund – The purpose of this fund is to account for occupational tax collections, which were originally approved by voters as Section 12 of Ordinance R-34-78 and amended with an Ordinance O-26-99. All money derived under the provisions of this Ordinance shall be placed to the credit of:

- A) The General Revenue Fund of the County of Campbell and shall be used and expended in defraying the current general and incidental expenses of the county;
- B) To appropriate and pay over to the Transit Authority of Northern Kentucky capital and operating funds as provided in K.R.S. Chapter 96A
- C) For traffic improvement and mass transportation, related projects as authorized by the Fiscal Court.

Campbell County Fiscal Housing Department Housing Choice Voucher Program - The Campbell County Housing Choice Voucher Program is operated by the Campbell County, Kentucky, Fiscal Court. It is engaged in providing rental assistance to persons of low income and who, for the most part, are residents of Campbell County, Kentucky. Funds to operate the program are obtained principally from the U.S. Department of Housing and Urban Development.

Campbell County Public Properties Corporation- This Corporation is created solely for the benefit of the Fiscal Court to act as an agent in the acquisition and financing of any public project. It is used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

The government also has the following nonmajor funds: Local Government Economic Assistance Fund, Waterline Grant Fund, Emergency Shelter Grant Fund, Senior Citizen Tax Fund, Mental Health Tax Fund, the Developer Road Escrow Fund, Campbell County Health Services, Inc Human Resource Fund, and the Capital Projects Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Payroll Tax Fund, Campbell County Fiscal Court Housing Department Housing Choice Voucher Program, Local Government Economic Assistance Fund, Waterline Grant Fund, Emergency Shelter Grant Fund, Senior Citizen Tax Fund, Mental Health Tax Fund, the Developer Road Escrow Fund, and the Campbell County Health Services Incorporated Human Resource Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund:

The Capital Projects Fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Debt Service Fund:

The Campbell County Public Properties Corporation, which was audited by other auditors, is used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Funds

Proprietary funds use the full accrual basis of accounting, recognizing revenues and expenses when they occur, regardless of the timing of the cash flows. On the statement of revenues, expenses and changes in net assets, the term “expenses” (not “expenditures” as in governmental funds on a modified accrual basis) describes the decrease in economic benefits and emphasizes the accrual basis of accounting.

Proprietary fund revenues and expenses are divided into operating and nonoperating revenues and expenses. Although not specifically defined by GAAP, operating revenues and expenses are considered to be those resources gained and consumed to produce and deliver goods and services that are central to that fund’s particular purpose. Other revenues and expenses are classified as nonoperating. Operating and nonoperating expenses are further characterized by object (personal services, depreciation expense, etc.).

Furthermore, the government has adopted the provisions of GASB Statement No 20, “Accounting and Financial Reporting for Proprietary Funds and Other Governmental Funds that use Proprietary Fund Accounting.” As permitted by GASB Statement No. 20, the government’s proprietary fund has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The government reports the following major proprietary funds:

Lakeside Terrace Apartments HUD Project No. 083-44012-236

Legal title to the Project is held by Campbell County Public Properties Corporation, a nonprofit corporation. The accompanying financial statements are those of the Project and do not represent the financial statements of Campbell Count Public Properties Corporation. The project is a component unit of the Campbell County Fiscal Court.

The Project is subject to Section 8 Housing Assistance Payments agreements with the U.S. Department of Housing and Urban Development (HUD), and a significant portion of the Project’s rental income is received from HUD. The project’s non-major programs are its rent subsidy and Flexible Subsidy Loan.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds (Continued)

A. J. Jolly Park

The A. J. Jolly Park is a component unit enterprise fund of the Campbell County Fiscal Court. The Park is the operator of the A. J. Jolly Golf Course.

Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund. However in Campbell County, the Jail Canteen is a budgeted account and is accounted for accordingly.

Fiduciary Funds

Fiduciary funds are defined as funds used to report assets held in a trustee or agency capacity for others which, therefore, cannot be used to support the government's own programs. This category of funds includes agency funds. The government's fiduciary fund types are described below.

Agency funds are monies held by the county for custodial purpose only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus. However, the agency fund uses the accrual basis of accounting when recognizing payables and receivables. The agency funds of Campbell County are the Jail Inmate Account, the Consolidated Payroll Tax Account, and the Performance Bond Account.

As discussed previously, because the fiduciary fund resources are not available to support government programs, fiduciary funds are excluded from the government-wide financial statements. Inclusion of these funds would create a misleading view of the government's position and result of activities.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including, but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). Investments are reported at fair market value.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include payroll taxes.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as payroll taxes, grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 90 days since they would be considered both measurable and available.

G. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and service type transactions are classified as "due to and from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

H. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

Assets are depreciated using the straight-line basis over their estimated useful lives. The table below shows the useful life by asset type.

| | Capitalization Threshold | Useful Life (Years) |
|----------------------------|-----------------------------|---------------------------|
| Land Improvements | \$ 5,000 | 10-20 |
| Buildings and Improvements | 5,000 | 25-40 |
| Machinery and Equipment | 5,000 | 5-10 |
| Vehicles | 5,000 | 5-10 |
| Utility Systems | 5,000 | 25-40 |
| Infrastructure | 5,000 | 20-40 |

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Fund Equity Reserves and Designations

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the statement of net assets and statement of activities, however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

"Reserved for TANK (Transit Authority of Northern Kentucky) Contributions" refers to the portion of the TANK payroll tax receivable (first quarter) which the Campbell County Fiscal Court has agreed to provide to TANK to provide transit service in Campbell County.

J. Deferred Revenue

Deferred revenues are treated as liabilities in the governmental funds until all requirements for revenue recognition are met.

K. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and KACO financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

Long-Term Debt

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

K. Long-term Obligations (Continued)

Compensated Absences

The County's policies regarding vacation time do not permit the employee to accumulate vacation time. Although they earn time based on their years of service, they have until April of the following year to use all vacation time earned the previous year. However, upon termination of employment, employees do receive pay for unused vacation time.

The County Police and the Road Department have a separate contract for sick leave. These employees earn 40 hours of sick leave per year. The entire 40 hours is given to them in January. If they are still employed by the Fiscal Court on December 31 they receive pay for their unused sick time the following January. If they are not still employed on December 31, they do not get paid for their unused sick time.

The remaining Fiscal Court employees also receive 40 hours of sick leave in January. However, they do not get paid for their unused sick time.

L. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

M. Stewardship, Compliance, and Accountability

By its nature as a local government unit, the County is subject to various federal, state, and local laws and contractual regulations. The government-wide and fund financial statements serve as an analysis of the County's compliance with significant laws and regulations and demonstrate its stewardship over County resources.

The County complies with all federal, state, and local laws and regulations requiring the use of separate funds.

N. Disaggregation of Accounts Payable and Accounts Receivable

Accounts payable of the government are amounts owed by the county as of June 30, 2003. Those liabilities that must be paid within one year are considered current. Amounts due after one year are deemed noncurrent accounts payable. Accounts receivable are amounts owed to the government. Similar to accounts payable, any amounts to be received within one year are classified as current. All other receivables are noncurrent. For Governmental Activities and Business-Type Activities, the line indicating "Accounts Payable" and "Net Receivables" are described below.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

N. Disaggregation of Accounts Payable and Accounts Receivable (Continued)

Under the modified accrual basis of accounting, as used in the fund statements, amounts outstanding, but owed at the end of the year may be recorded in one of two ways. If the receivable is measurable and expected to be collected within 90 days, revenue is recognized. However, if the receivable is not expected to be collected within 90 days, it is not considered to be available to liquidate the liabilities of the current period and will be reported as deferred revenue. Furthermore, unearned revenue is always reported as deferred revenue. Deferred revenue is reported as a liability until it meets the criteria for revenue recognition.

Note 2. Deposits and Investments

A. Deposits

The county maintained deposits of public funds with five depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

- 1) At four of these banks, these requirements were met and as of June 30, 2003, the county's deposits were fully insured or collateralized at 100% level with collateral of either pledged securities held by the county's agent in the county's name or provided surety bond which named the county as beneficiary/obligee on the bond.
- 2) At the fifth bank, the collateral and FDIC insurance together did not equal or exceed the amount on deposit as of August 31, 2002, leaving \$178,370 of public funds uninsured and unsecured. Also, as of June 30, 2003, the collateral and FDIC insurance together did not equal or exceed the amount on deposit leaving \$91,513 of public funds uninsured and unsecured. The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of August 31, 2002.

| | <u>Bank Balance</u> |
|--------------------------------|--------------------------|
| FDIC Insured | \$ 100,000 |
| Uncollateralized and uninsured | <u>178,370</u> |
| Total | <u><u>\$ 278,370</u></u> |

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 2. Deposits and Investments (Continued)

B. Investments

The county's investments are categorized below to give an indication of the level of risk assumed by the county at year-end. Category 1 includes investments that are insured or registered or the securities are held by the county or by the county's agent in the county's name. Category 2 includes uninsured and unregistered investments where the securities are held by the financial institution in the county's name. Category 3 includes uninsured and unregistered investments where the securities were held by the financial institution, but not in the county's name.

| Types of Investments | Category 1 | Carrying Amount | Market Value |
|---|---------------------|---------------------|---------------------|
| Federal National Mortgage Association | | | |
| Debenture Bond | \$ 599,906 | \$ 599,906 | \$ 600,657 |
| Federal National Mortgage Treasury Note | 450,000 | 450,000 | 450,409 |
| Federal Home Loan Banks | 500,000 | 500,000 | 500,689 |
| Federal Home Loan Mortgage | | | |
| Company Discount Notes | 449,272 | 449,272 | 449,870 |
| Federal Home Loan Bank Discount Notes | 2,778,479 | 2,778,479 | 2,785,164 |
| First American Treasury Obligation CI Y | 22,726 | 22,726 | 22,726 |
| Totals | <u>\$ 4,800,383</u> | <u>\$ 4,800,383</u> | <u>\$ 4,809,515</u> |

Note 3. Operating Leases

The fiscal court entered into lease agreements for copiers used by various county departments. The future minimum lease payments for these leases are as follows:

| | |
|--------------------------|------------------|
| Governmental Activities | |
| Fiscal Year Ended | |
| June 30, | Amount |
| 2004 | \$ 6,063 |
| 2005 | 4,671 |
| 2006 | 315 |
| Totals | <u>\$ 11,049</u> |
| Business-Type Activities | |
| Fiscal Year Ended | |
| June 30 | Amount |
| 2004 | <u>\$ 29,195</u> |

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2003 was as follows:

| | Reporting Entity | | | |
|--|----------------------|--------------|-----------|-------------------|
| | Beginning Balance | Increases | Decreases | Ending Balance |
| <u>Governmental Activities:</u> | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 1,292,355 | \$ 679,436 | \$ | \$ 1,971,791 |
| Capital Assets, Being Depreciated: | | | | |
| Land Improvements | 224,496 | 95,242 | | 319,738 |
| Buildings | 9,781,918 | 60,886 | | 9,842,804 |
| Other Equipment | 773,847 | 179,930 | | 953,777 |
| Vehicles and Equipment | 1,958,506 | 237,791 | | 2,196,297 |
| Infrastructure | 1,551,145 | 231,953 | | 1,783,098 |
| Total Capital Assets Being Depreciated | 14,289,912 | 805,802 | | 15,095,714 |
| Less Accumulated Depreciation For: | | | | |
| Land Improvements | (40,057) | (21,085) | | (61,142) |
| Buildings | (2,882,543) | (20,411) | | (2,902,954) |
| Other Equipment | (233,838) | (97,656) | | (331,494) |
| Vehicles and Equipment | (1,165,752) | (228,724) | | (1,394,476) |
| Infrastructure | (1,058,163) | (85,033) | | (1,143,196) |
| Total Accumulated Depreciation | (5,380,353) | (452,909) | | (5,833,262) |
| Total Capital Assets, Being Depreciated, Net | 8,909,559 | 352,893 | | 9,262,452 |
| Government Activities Capital Assets, Net | \$ 10,201,914 | \$ 1,032,329 | \$ 0 | \$ 11,234,243 |

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 4. Capital Assets (Continued)

| | Reporting Entity | | | |
|---|----------------------|-------------|-----------|-------------------|
| | Beginning Balance | Increases | Decreases | Ending Balance |
| <u>Business-type Activities:</u> | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 446,451 | \$ | \$ | \$ 446,451 |
| Land and Improvements | 268,340 | | | 268,340 |
| Total Capital Assets, Not Being Depreciated | 714,791 | | | 714,791 |
| Capital Assets, Being Depreciated: | | | | |
| Land Improvements | 685,095 | 3,725 | | 688,820 |
| Buildings | 1,757,134 | 5,192 | (5,378) | 1,756,948 |
| Portable building equipment | 21,546 | 5,616 | | 27,162 |
| Equipment for tenant use | 71,865 | 3,663 | | 75,528 |
| Furnishings | 30,433 | 6,310 | | 36,743 |
| Office Furniture and equipment | 6,922 | 1,031 | (1,536) | 6,417 |
| Maintenance equipment | 6,527 | 229 | | 6,756 |
| Fixtures | 86,860 | | (959) | 85,901 |
| Machinery and Equipment | 505,730 | 24,605 | 959 | 531,294 |
| Vehicles and Equipment | 28,633 | | | 28,633 |
| Total Capital Assets Being Depreciated | 3,200,745 | 50,371 | (6,914) | 3,244,202 |
| Less Accumulated Depreciation For: | | | | |
| Land Improvements | (286,500) | (47,460) | | (333,960) |
| Buildings | (1,181,136) | (49,982) | 5,378 | (1,225,740) |
| Portable building equipment | (5,632) | (1,948) | | (7,580) |
| Equipment for tenant use | (44,314) | (5,210) | | (49,524) |
| Furnishings | (24,777) | (2,586) | | (27,363) |
| Office Furniture and Equipment | (6,595) | (321) | 1,536 | (5,380) |
| Maintenance equipment | (6,094) | (373) | | (6,467) |
| Club house furniture and fixtures | (78,251) | (5,071) | | (83,322) |
| Golf Equipment | (398,419) | (28,198) | | (426,617) |
| Vehicles and Equipment | (15,909) | (4,127) | | (20,036) |
| Total Accumulated Depreciation | (2,047,627) | (145,276) | 6,914 | (2,185,989) |
| Total Capital Assets, Being Depreciated, Net | 1,153,118 | (94,905) | | 1,058,213 |
| Business-type Activities Capital Assets, Net | \$ 1,867,909 | \$ (94,905) | \$ 0 | \$ 1,773,004 |

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 4. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

| | |
|--|-------------------|
| General Government | \$ 88,578 |
| Protection to Persons and Property | 163,895 |
| General Health and Sanitation | 537 |
| Social Services | 4,566 |
| Recreation and Culture | 120,645 |
| Roads | 7,576 |
| Road Equipment | <u>67,112</u> |
| Total Depreciation Expense - Governmental Activities | <u>\$ 452,909</u> |

Business-type Activities

| | |
|--|-------------------|
| Jail Canteen | \$ 4,127 |
| A.J. Jolly Park | 85,618 |
| Lakeside Terrace Apartments | <u>55,531</u> |
| Total Depreciation Expense - Business Activities | <u>\$ 145,276</u> |

Note 5. Joint Venture

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on these criteria, the following is considered a joint venture of Campbell County Fiscal Court: Campbell County Consolidated Dispatching Board.

The audit of the Campbell County Consolidated Dispatching Board can be obtained by writing the Board at 998 Monmouth Street, Newport, KY 41071-2115

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 6. Notes Receivable

Campbell County Consolidated Dispatch Board

The Campbell County Consolidated Dispatch Board entered into a six-year note payable at 3.25% in the amount of \$1,250,000 in accordance with the Memorandum of Understanding (See Note 8D) with the Campbell County Fiscal Court dated June 27, 2002. The repayment of the note began during fiscal year 2003. Annual debt service requirements to maturity are as follows:

| <u>Fiscal Year</u> <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Other</u> <u>Fees</u> | <u>Total</u> |
|---|---------------------|-------------------|-----------------------------|---------------------|
| 2004 | \$ 198,257 | \$ 34,406 | \$ 7,245 | \$ 239,908 |
| 2005 | 204,700 | 27,963 | 5,892 | 238,555 |
| 2006 | 211,353 | 21,310 | 4,490 | 237,153 |
| 2007 | 218,222 | 14,441 | 3,043 | 235,706 |
| 2008 | 226,108 | 7,349 | 1,549 | 235,006 |
| | <u>\$ 1,058,640</u> | <u>\$ 105,469</u> | <u>\$ 22,219</u> | <u>\$ 1,186,328</u> |

Note 7. Capital Lease Receivable

Extension District Board

The Campbell county Extension District Board on January 16, 1992, entered into a capital lease with the Campbell County Public Properties Corporation (CCPPC) for construction of a building for housing the offices of the extension district. The CCPPC agreed to provide adequate land for the facility as well as assume the responsibility for securing a qualified licensed architect who would design and oversee the complete construction of the project. The Extension District has full responsibility to pay the entire cost of the construction including that of securing financing for the construction, professional expenses, bond expenses and construction expenses. It was agreed that the Extension District would advance the CCPPC \$175,000 for initial expenses related to the construction and upon occupation of the building by the Extension District, a semi-annual rent obligation is payable to the CCPPC. The sum payable to the CCPPC shall include all expenses on an amortized basis over the life of the bonds for all costs related to financing and all fees associated with the issuance of the bonds. The Extension District has been granted the option of purchasing the building, parking lot, and area required for ingress and egress from the CCPPC for \$1.00 plus the assumption of all indebtedness owed for the construction of the project, if any. This option expires within 30(thirty) years from the signing of the above contract.

The Extension District advanced the CCPPC an additional \$96,932 to cover construction costs in excess of that originally contemplated.

For financial statement purposes, this has been treated as a capital lease.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 7. Capital Lease Receivable (Continued)

Extension District Board (Continued)

At June 30, 2003, the future minimum payments required under the lease agreement and the present value of minimum payments were as follows:

| <u>Fiscal Year</u> <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|-------------------|-------------------|-------------------|
| 2004 | \$ 50,000 | \$ 22,746 | \$ 72,746 |
| 2005 | 55,000 | 21,021 | 76,021 |
| 2006 | 55,000 | 19,151 | 74,151 |
| 2007 | 55,000 | 17,212 | 72,212 |
| 2008 | 60,000 | 15,127 | 75,127 |
| 2009 and thereafter | 345,000 | 36,820 | 381,820 |
| | <u>\$ 620,000</u> | <u>\$ 132,077</u> | <u>\$ 752,077</u> |

Changes in Receivables

Receivable activity for the year ended June 30, 2003 was as follows:

| | <u>Beginning</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending</u> | <u>Due In One Year</u> |
|--------------------------|---------------------|------------------|-------------------|---------------------|------------------------|
| Dispatch Board | \$ 1,427,693 | \$ | \$ 241,365 | \$ 1,186,328 | \$ 239,908 |
| Extension District Board | 831,499 | | 79,422 | 752,077 | 72,746 |
| | <u>\$ 2,259,192</u> | <u>\$ 0</u> | <u>\$ 320,787</u> | <u>\$ 1,938,405</u> | <u>\$ 312,654</u> |

Note 8. Long-term Debt

A. 2001 Refunding Bonds

The Campbell County Fiscal Court issued as of July 1, 2001 \$2,520,000 General Project Refunding Bond, Series 2001, to refund Campbell County, Kentucky, Public Properties Corporation Multiple Projects Revenue Bonds, Series 1992. In the 1992 series, a portion of the project was subleased by the County to the Campbell County Extension District Board pursuant to a sublease dated as of December 1, 1992 for automatically renewable annual periods through December 1, 2012. Payments to the County under the sublease are equal to the pro-rata portion of the lease payments to be made by the County, which are allocable to the portion of the project being subleased to the Extension District Board. The outstanding balance due to the Campbell County Fiscal Court from the Extension District Board as of June 30, 2003 was \$620,000.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 8. Long-term Debt (Continued)

A. 2001 Refunding Bonds (Continued)

The new bonds mature in varying amounts from \$70,000 to \$170,000 from December 1, 2001 to December 1, 2022 at interest rates ranging from 3.2% to 5.00%.

Bonds outstanding on June 30, 2003 were \$2,300,000. The debt service requirements for future fiscal years are as follows:

| <u>Fiscal Year Ended June 30,</u> | <u>Scheduled Interest</u> | <u>Scheduled Principal</u> |
|---------------------------------------|-------------------------------|--------------------------------|
| 2004 | \$ 93,800 | \$ 120,000 |
| 2005 | 89,786 | 125,000 |
| 2006 | 85,450 | 130,000 |
| 2007 | 80,867 | 130,000 |
| 2008 | 76,064 | 135,000 |
| 2009-2013 | 292,745 | 780,000 |
| 2014-2018 | 167,839 | 385,000 |
| 2019-2022 | <u>63,799</u> | <u>495,000</u> |
| Totals | <u>\$ 950,350</u> | <u>\$ 2,300,000</u> |

Transactions relative to these bonds were shown in Campbell County Public Properties Corporation records for the year ended June 30, 2002 but were appropriately reflected in the records of the Campbell County Fiscal Court for the year ended June 30, 2003.

B. First Mortgage Refunding and Improvement Revenue Bonds, Series 1997 (Campbell County Public Properties Corporation)

First Mortgage Refunding and Improvement Revenue Bonds, Series 1997 were issued July 1, 1997 in the amount of \$3,650,000 for the purpose of refunding First Mortgage Revenue bonds (Jail Facilities Project) issued November 1, 1989. The bonds mature in varying amounts from \$95,000 to \$285,000 from November 1, 1997 through 2017. Interest is payable semiannually on May 1 and November 1 at rates from 4.7% to 4.8%. The bonds are secured by a foreclosable first mortgage lien on the jail property and A. J. Jolly Park and a pledge of revenue from both facilities. During the year ended June 30, 1998, the Campbell County Public Parks Corporation advanced A. J. Jolly Park \$466,200 to pay the cost of a new irrigation system. The amount of bonds assigned to park and recreation improvements was \$1,665,000. Under the terms of the agreement the Park is obligated to pay its proportionate part of the bonds and interest as they become due.

Bonds outstanding on June 30, 2003 were \$2,680,000. The debt service requirements for future fiscal years are as follows:

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 8. Long-term Debt (Continued)

B. First Mortgage Refunding and Improvement Revenue Bonds, Series 1997 (Campbell County Public Properties Corporation) (Continued)

| <u>Fiscal Year Ended June 30,</u> | <u>Scheduled Interest</u> | <u>Scheduled Principal</u> |
|---------------------------------------|-------------------------------|--------------------------------|
| 2004 | \$ 123,460 | \$ 200,000 |
| 2005 | 113,722 | 210,000 |
| 2006 | 103,510 | 220,000 |
| 2007 | 92,823 | 230,000 |
| 2008 | 81,480 | 245,000 |
| 2009-2013 | 221,160 | 1,000,000 |
| 2014-2018 | <u>85,200</u> | <u>575,000</u> |
| Totals | <u>\$ 821,355</u> | <u>\$ 2,680,000</u> |

C. First Mortgage Refunding Revenue Bonds (Court Facilities Project), Series 1998

As of July 1, 1998, Campbell County Public Properties Corporation issued \$1,545,000 First Mortgage Refunding Revenue Bonds (Court Facilities Project), Series 1998. These bonds mature in varying amounts on August 1 of each year from 1999 through 2009. Proceeds of the bonds were issued principally to defease and discharge First Mortgage Revenue Bonds (District Court Building) dated February 1, 1991. Under this arrangement the Corporation made provision for discharge of all bonds by depositing with the Trustee permissible investment obligations sufficient to pay all principal and interest requirements on the bonds to a permitted date of redemption, or to the date of maturity. Consequently the corporation has no further liability for the bonds. Interest is payable semiannually on February 1 and August 1 at rates ranging from 4% to 4.3% and principal payments are due annually on August 1 of each year.

Bonds outstanding on June 30, 2003 were \$1,050,000. The debt service requirements for future fiscal years are as follows:

| <u>Fiscal Year Ended June 30,</u> | <u>Scheduled Interest</u> | <u>Scheduled Principal</u> |
|---------------------------------------|-------------------------------|--------------------------------|
| 2004 | \$ 41,967 | \$ 135,000 |
| 2005 | 36,155 | 145,000 |
| 2006 | 29,992 | 145,000 |
| 2007 | 23,542 | 155,000 |
| 2008 | 16,662 | 165,000 |
| 2009-2010 | <u>12,361</u> | <u>305,000</u> |
| Totals | <u>\$ 160,679</u> | <u>\$ 1,050,000</u> |

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 8. Long-term Debt (Continued)

D. Kentucky Association of Counties Leasing Trust

The Campbell County Fiscal Court, the City of Fort Thomas, and the City of Newport entered into an interlocal agreement dated January 9, 2001, which created Campbell County Consolidated Dispatch Board. (Note 1I). As indicated per this interlocal agreement, the Campbell County Fiscal Court made a one-time contribution of cash in the amount of \$750,000, earmarked for capital equipment and development of the new communications system. Furthermore, the Fiscal Court makes an annual and recurring cash contribution to the Board, earmarked for general operational expenses, at the beginning of each fiscal year, commencing in the first year of dispatch service. The base amount for the initial fiscal year was \$200,000, which is adjusted each ensuing year by the percentage of increase/decrease in the cost-of-living index for the Greater Cincinnati SMSA area, as reported by the Bureau of Labor Statistics.

A memorandum of understanding was entered into by and between the Campbell County Fiscal Court and the Campbell County Consolidated Dispatch Board on June 27, 2002, implementing the following: The Campbell County Fiscal Court entered into a six-year financing obligation with Kentucky Association of Counties Leasing Trust (KACoLT) in the sum of \$2,000,000 for the purpose of financing dispatch equipment for the Board. A total of \$1,250,000 of the principal amount was made on behalf of the Campbell County Consolidated Dispatch Board, and a total of \$750,000 was made on behalf of the County in meeting its obligation pursuant to the interlocal agreement dated January 9, 2001. In addition, the Campbell County Fiscal Court shall be paid by the Campbell County Consolidated Dispatch Board a total of 62.5% of the annual payment less the credit of \$200,000 pursuant to the interlocal agreement. The outstanding balance due to the Campbell County Fiscal Court from the Campbell County Consolidated Dispatch Board is \$1,058,640.

On June 14, 2002, Campbell County Fiscal Court entered into a six-year financing obligation with the Kentucky Association of Counties Leasing Trust (KACoLT) for the purpose of financing dispatch equipment for the Campbell County Consolidated Dispatch Board. In June 2002, the first drawdown was made on this financing agreement for the purchase of dispatch equipment and furniture. The remaining drawdowns were made in the fiscal year ended June 2003.

Interest is paid on a monthly basis, and a principal payment is made annually until termination of the agreement in fiscal year ending June 30, 2008, as shown in the following table.

| <u>Fiscal Year Ended June 30</u> | <u>Scheduled Interest</u> | <u>Scheduled Principal</u> | <u>Scheduled Fees</u> |
|--------------------------------------|-------------------------------|--------------------------------|---------------------------|
| 2003-2004 | \$ 38,096 | \$ 317,211 | \$ 13,125 |
| 2004-2005 | 30,848 | 327,520 | 10,634 |
| 2005-2006 | 23,552 | 338,164 | 8,117 |
| 2006-2007 | 15,960 | 349,155 | 5,502 |
| 2007-2008 | 8,138 | 361,773 | 2,802 |
| Totals | <u>\$ 116,594</u> | <u>\$ 1,693,823</u> | <u>\$ 40,180</u> |

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 8. Long-term Debt (Continued)

E. Mortgage Payable (Lakeside Terrace Apartments)

The mortgage payable as of June 30, 2003, represents a permanent building loan provided by HUD. The balance due as of June 30, 2003, was \$595,931. The monthly installments for principal and interest at June 30 were \$10,375 with a maturity date of February 1, 2010. Interest is being charged at 8.50%. The mortgage note is secured by the apartment project.

Maturities of the mortgage note are as follows:

| <u>Fiscal Year Ended June 30,</u> | <u>Amount Maturity</u> |
|---------------------------------------|----------------------------|
| 2004 | 76,794 |
| 2005 | 83,582 |
| 2006 | 90,970 |
| 2007 | 99,011 |
| 2008 | 107,762 |
| 2009 | 117,288 |
| 2010 | <u>20,524</u> |
| Totals | <u>\$ 595,931</u> |

The fair value of the mortgage payable is estimated based on the current rates offered to the Project for debt of the same remaining maturities. At June 30, 2003, the fair value of the mortgage payable approximates the amounts recorded in the financial statements.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 8. Long-term Debt (Continued)

E. Mortgage Payable (Continued)

Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2003, was as follows:

| | Beginning Balance | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|-------------------|---------------------|------------------------|
| <u>Governmental Activities</u> | | | | |
| General Obligation | | | | |
| Public Refunding Bonds | \$ 2,415,000 | \$ 115,000 | \$ 2,300,000 | \$ 120,000 |
| KACO Leasing Trust | | | | |
| Financing Obligations | 2,000,000 | 306,177 | 1,693,823 | 317,211 |
| First Mortgage Refunding and Improvement Revenue | | | | |
| Bond Series 1997 | 2,870,000 | 190,000 | 2,680,000 | 200,000 |
| First Mortgage Refunding Revenue Bonds Series 1998 | 1,180,000 | 130,000 | 1,050,000 | 135,000 |
| Governmental Activities Long-term Liabilities | <u>\$ 8,465,000</u> | <u>\$ 741,177</u> | <u>\$ 7,723,823</u> | <u>\$ 772,211</u> |
| <u>Business Type Activities</u> | | | | |
| Mortgage Payable | 666,488 | 70,557 | 595,931 | 76,794 |
| Business Type Activities Long-Term Liabilities | <u>\$ 666,488</u> | <u>\$ 70,557</u> | <u>\$ 595,931</u> | <u>\$ 76,794</u> |
| Total Primary Government | <u>\$ 9,131,488</u> | <u>\$ 811,734</u> | <u>\$ 8,319,754</u> | <u>\$ 849,005</u> |

Note 9. Interest On Long-Term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$61,094 in interest on financing obligations and \$282,129 in interest on bonds and notes.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 10. First Mortgage Bonds-May 1, 1963 Issue-Defeasement

Under the terms of the bond indenture the Public Properties Corporation had the option to establish an escrow fund for retirement of the bonds and be relieved of the liability for any bonds still outstanding. As of June 30, 1988 such a fund was established, a trustee appointed and the required deposit made; consequently the corporation has no further liability for the bonds. The defeasement of these bonds was established under an irrevocable trust agreement. As of June 30, 2003, the amount of defeased debt outstanding but removed from the accounting records amounted to approximately \$275,000.

Note 11. Subsequent Events

During fiscal year ending June 30, 2004 the county purchased two properties on Monmouth Street for the construction of a new fiscal court building. The total price of the properties was \$619,000.

Note 12. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124 or by telephone at (502) 564-4646.

Note 13. Changes in Accounting Principles

The county has implemented Governmental Accounting Standards Board (GASB) Statements 33, 34 and 37, as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements. The effect of this change on the beginning net assets of the governmental and business type activities is an increase of \$10,201,904 and an increase of \$1,867,909 respectively, due to capital assets previously not reported.

The county has also elected to present the current financial statements in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). Since the fiscal year ended June 30, 2002 financial statements were presented in accordance with a modified cash basis of accounting, these beginning balances have been restated in accordance with generally accepted accounting principles.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 14. Estimated Infrastructure Historical Cost

Infrastructure historical cost is an estimate. The primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. Then current year construction cost was deflated back to this estimated year of construction or reconstruction to arrive at estimated historical cost.

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis

For The Year Ended June 30, 2003

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis

For The Year Ended June 30, 2003

| | GENERAL FUND | | | |
|--|---------------------|--------------|----------------------------------|--|
| | Budgeted Amounts | | Actual | Variance with |
| | Original | Final | Amounts, (Budgetary Basis) | Final Budget Positive (Negative) |
| REVENUES | | | | |
| Taxes | \$ 5,381,200 | \$ 5,381,200 | \$ 5,595,612 | \$ 214,412 |
| Excess Fees | 845,000 | 845,000 | 929,190 | 84,190 |
| Licenses and Permits | 151,900 | 151,900 | 194,539 | 42,639 |
| Intergovernmental Revenue | 638,385 | 721,718 | 622,215 | (99,503) |
| Charges for Services | 57,100 | 57,100 | 41,067 | (16,033) |
| Miscellaneous | 926,700 | 1,021,364 | 1,100,511 | 79,147 |
| Interest | 150,000 | 150,000 | 63,838 | (86,162) |
| Total Revenues | 8,150,285 | 8,328,282 | 8,546,972 | 218,690 |
| EXPENDITURES | | | | |
| General Government | 2,826,195 | 2,890,545 | 2,591,607 | 298,938 |
| Protection to Persons and Property | 2,685,416 | 2,761,149 | 2,267,928 | 493,221 |
| General Health and Sanitation | 309,208 | 319,258 | 307,851 | 11,407 |
| Social Services | 132,372 | 132,372 | 120,912 | 11,460 |
| Recreation and Culture | 287,792 | 287,792 | 249,691 | 38,101 |
| Debt Service | 2,485,995 | 1,491,859 | 472,594 | 1,019,265 |
| Capital Projects | | 940,000 | 670,437 | 269,563 |
| Administration | 2,169,550 | 2,151,550 | 1,957,081 | 194,469 |
| Total Expenditures | 10,896,528 | 10,974,525 | 8,638,101 | 2,336,424 |
| Excess (Deficiency) of Revenues | | | | |
| Over Expenditures | (2,746,243) | (2,646,243) | (91,129) | 2,555,114 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Borrowed Money | 2,000,000 | 2,000,000 | | (2,000,000) |
| Transfers In From Proprietary Funds | | 15,242 | 15,242 | |
| Transfers In From Other Funds | 3,615,100 | 3,615,100 | 2,885,009 | (730,091) |
| Transfers Out to Other Funds | (3,717,582) | (3,717,582) | (3,198,659) | 518,923 |
| From Dispatch Board to Pay on Lease | 50,000 | 50,000 | 41,365 | (8,635) |
| From Extension to Pay On Debt Service | | 79,423 | 79,606 | 183 |
| Total Other Financing Sources and Uses | 1,947,518 | 2,042,183 | (177,437) | (2,219,620) |
| Net Changes in Fund Balances | (798,725) | (604,060) | (268,566) | 335,494 |
| Fund Balances - Beginning | 798,725 | 798,725 | 3,585,459 | 2,786,734 |
| Fund Balances - Ending | \$ 0 | \$ 194,665 | \$ 3,316,893 | \$ 3,122,228 |

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2003
(Continued)

| | ROAD FUND | | | |
|--|-------------------------|--------------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| REVENUES | | | | |
| Licenses and Permits | \$ 100 | \$ 100 | \$ | \$ (100) |
| Intergovernmental Revenue | 673,300 | 673,300 | 727,518 | 54,218 |
| Miscellaneous | | | 68 | 68 |
| Interest | 6,000 | 6,000 | 872 | (5,128) |
| Total Revenues | <u>679,400</u> | <u>679,400</u> | <u>728,458</u> | <u>49,058</u> |
| EXPENDITURES | | | | |
| Roads | 1,282,293 | 1,281,893 | 1,229,974 | 51,919 |
| Debt Service | 98,565 | 98,565 | 97,995 | 570 |
| Capital Projects | 16,500 | 16,900 | 4,835 | 12,065 |
| Administration | 202,800 | 227,800 | 218,877 | 8,923 |
| Total Expenditures | <u>1,600,158</u> | <u>1,625,158</u> | <u>1,551,681</u> | <u>73,477</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(920,758)</u> | <u>(945,758)</u> | <u>(823,223)</u> | <u>122,535</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Borrowed Money | | | | |
| Transfers In From Other Funds | 900,000 | 900,000 | 875,000 | (25,000) |
| Total Other Financing Sources and Uses | <u>900,000</u> | <u>900,000</u> | <u>875,000</u> | <u>(25,000)</u> |
| Net Changes in Fund Balances | (20,758) | (45,758) | 51,777 | 97,535 |
| Fund Balances - Beginning | <u>20,758</u> | <u>20,758</u> | <u>50,418</u> | <u>29,660</u> |
| Fund Balances - Ending | <u>\$ 0</u> | <u>\$ (25,000)</u> | <u>\$ 102,195</u> | <u>\$ 127,195</u> |

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2003
(Continued)

| | JAIL FUND | | | |
|--|-------------------------|--------------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental Revenue | \$ 805,617 | \$ 805,617 | \$ 917,917 | \$ 112,300 |
| Charges for Services | 152,000 | 152,000 | 165,575 | 13,575 |
| Miscellaneous | 71,500 | 71,500 | 46,813 | (24,687) |
| Interest | 400 | 400 | 279 | (121) |
| Total Revenues | <u>1,029,517</u> | <u>1,029,517</u> | <u>1,130,584</u> | <u>101,067</u> |
| EXPENDITURES | | | | |
| Protection to Persons and Property | 1,811,930 | 1,874,130 | 1,856,958 | 17,172 |
| Debt Service | 77,284 | 77,284 | 74,874 | 2,410 |
| Administration | 538,160 | 550,960 | 542,069 | 8,891 |
| Total Expenditures | <u>2,427,374</u> | <u>2,502,374</u> | <u>2,473,901</u> | <u>28,473</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(1,397,857)</u> | <u>(1,472,857)</u> | <u>(1,343,317)</u> | <u>129,540</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In From Other Funds | 1,517,000 | 1,517,000 | 1,482,000 | (35,000) |
| Transfers Out to Other Funds | (196,416) | (196,416) | (196,416) | |
| Total Other Financing Sources and Uses | <u>1,320,584</u> | <u>1,320,584</u> | <u>1,285,584</u> | <u>(35,000)</u> |
| Net Changes in Fund Balances | (77,273) | (152,273) | (57,733) | 94,540 |
| Fund Balances - Beginning | <u>77,273</u> | <u>77,273</u> | <u>117,277</u> | <u>40,004</u> |
| Fund Balances - Ending | <u>\$ 0</u> | <u>\$ (75,000)</u> | <u>\$ 59,544</u> | <u>\$ 134,544</u> |

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2003
(Continued)

| | TANK FUND | | | |
|--|-------------------------|--------------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 5,800,000 | \$ 5,800,000 | \$ 5,701,408 | \$ (98,592) |
| Intergovernmental Revenue | 388,000 | 388,000 | 351,695 | (36,305) |
| Interest | 150,000 | 150,000 | 86,250 | (63,750) |
| Total Revenues | <u>6,338,000</u> | <u>6,338,000</u> | <u>6,139,353</u> | <u>(198,647)</u> |
| EXPENDITURES | | | | |
| General Government | 4,552,500 | 4,551,500 | 3,807,936 | 743,564 |
| Bus Services | 388,000 | 425,500 | 424,342 | 1,158 |
| Administration | 360,000 | 323,500 | 2,334 | 321,166 |
| Total Expenditures | <u>5,300,500</u> | <u>5,300,500</u> | <u>4,234,612</u> | <u>1,065,888</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>1,037,500</u> | <u>1,037,500</u> | <u>1,904,741</u> | <u>867,241</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Borrowed Money | | | | |
| Transfers In From Other Funds | | | | |
| Transfers Out to Other Funds | (3,511,900) | (3,511,900) | (2,787,777) | 724,123 |
| Total Other Financing Sources and Uses | <u>(3,511,900)</u> | <u>(3,511,900)</u> | <u>(2,787,777)</u> | <u>724,123</u> |
| Net Changes in Fund Balances | (2,474,400) | (2,474,400) | (883,036) | 1,591,364 |
| Fund Balances - Beginning | <u>2,474,400</u> | <u>2,474,400</u> | <u>6,590,842</u> | <u>4,116,442</u> |
| Fund Balances - Ending | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 5,707,806</u> | <u>\$ 5,707,806</u> |

CAMPBELL COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For The Year Ended June 30, 2003

Budgetary Information

Annual budgets are adopted on a modified cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The State Local Finance Officer does not require the Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific annual payments to this fund and these transfers are budgeted in the governmental funds.

The State Local Finance Officer does not require the Jail Canteen Fund to be budgeted because the fiscal court does not approve the expenses made from these funds, however Campbell County has chosen to budget these funds.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

There was not a budget adopted for the Housing Choice Voucher Program; therefore, a budgetary comparison has not been included.

**BUDGETARY RECONCILIATION TO
 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES – MAJOR FUNDS**

| | General Fund | Road Fund | Jail Fund | TANK Fund |
|--|---------------------|-------------------|------------------|---------------------|
| Financial statement funds (same as budgetary funds) | | | | |
| Fund balance | | | | |
| June 30, 2003 | | | | |
| Budgetary basis | \$ 3,316,893 | \$ 102,195 | \$ 59,544 | \$ 5,707,806 |
| Adjustments | | | | |
| Accrued revenues | 561,096 | 197,966 | 122,101 | 1,601,501 |
| Accrued expenditures | (326,739) | (43,702) | (117,035) | |
| Accrued transfers (net) | 77,303 | | | (70,745) |
| Total Accruals | 311,660 | 154,264 | 5,066 | 1,530,756 |
| Fund balance | | | | |
| June 30, 2003 | | | | |
| GAAP Basis | <u>\$ 3,628,553</u> | <u>\$ 256,459</u> | <u>\$ 64,610</u> | <u>\$ 7,238,562</u> |

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CAMPBELL COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information

June 30, 2003

CAMPBELL COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information

June 30, 2003

| | Special Revenue Funds | | | |
|-------------------------------------|--|---------------------------------------|------------------------------------|---|
| | Senior Citizen Tax Fund | Mental Health Tax Fund | Developer Raod Fund | Campbell Co Health Services Incorporated Human Resource Fund |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 167,310 | \$ 457,404 | \$ 33,857 | \$ 5 |
| Accounts Rec- Taxes | 88,535 | 177,051 | | |
| Accounts Rec-Intergov Rev | | 29,850 | | |
| Due From Other Funds | | | | |
| Total Assets | <u>\$ 255,845</u> | <u>\$ 664,305</u> | <u>\$ 33,857</u> | <u>\$ 5</u> |
| LIABILITIES | | | | |
| Accounts Payable | \$ 17,582 | \$ 84,326 | | |
| Accrued Salaries and Payroll Taxes | 1,775 | | | |
| Total Liabilities | <u>19,357</u> | <u>84,326</u> | | |
| FUND BALANCES | | | | |
| Unreserved: | | | | |
| Special Revenue Fund | 236,488 | 579,979 | 33,857 | 5 |
| Total Liabilities and Fund Balances | <u>\$ 255,845</u> | <u>\$ 664,305</u> | <u>\$ 33,857</u> | <u>\$ 5</u> |

CAMPBELL COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information
June 30, 2003
(Continued)

| Capital Projects Fund | | | |
|--------------------------------------|---------|---|-----------|
| Capital Projects Fund | | Total Governmental Funds | |
| | | \$ | 658,576 |
| | | | 265,586 |
| | | | 29,850 |
| \$ | 101,442 | | 101,442 |
| \$ | 101,442 | \$ | 1,055,454 |
| | | | |
| \$ | 101,442 | \$ | 203,350 |
| | | | 1,775 |
| | 101,442 | | 205,125 |
| | | | |
| | | | 850,329 |
| \$ | 101,442 | \$ | 1,055,454 |

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CAMPBELL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information

For The Year Ended June 30, 2003

CAMPBELL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information

For The Year Ended June 30, 2003

| | Special Revenue Funds | | | |
|---|------------------------------|-------------------------------------|---|--|
| | LGEA Fund | Waterline Grant Fund | Emergency Shelter Grant Fund | Senior Citizen Tax Fund |
| REVENUES | | | | |
| Taxes | \$ | \$ | \$ | \$ 322,801 |
| Intergovernmental | 1,250 | 7,500 | 10,000 | |
| Miscellaneous | | | | 14,437 |
| Interest | 2 | | | 1,129 |
| Total Revenues | <u>1,252</u> | <u>7,500</u> | <u>10,000</u> | <u>338,367</u> |
| EXPENDITURES | | | | |
| General Government | | | | 213,295 |
| Social Services | | | 10,000 | 83,263 |
| Roads | 1,252 | | | |
| Debt Service | | | | 9,884 |
| Capital Projects | | 7,500 | | |
| Administration | | | | 10,461 |
| Total Expenditures | <u>1,252</u> | <u>7,500</u> | <u>10,000</u> | <u>316,903</u> |
| Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses) | | | | <u>21,464</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers In From Other Funds | | | | 40,000 |
| Transfers Out to Other Funds | | | | |
| Total Other Financing Sources (Uses) | | | | <u>40,000</u> |
| Net Change in Fund Balances | | | | 61,464 |
| Fund Balances - Beginning Restated | | | | 175,024 |
| Fund Balances - Ending | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 236,488</u> |

CAMPBELL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information
For The Year Ended June 30, 2003
(Continued)

| Special Revenue Funds | | | Capital Projects Fund | |
|---|------------------------------------|---|--------------------------------------|---|
| Mental Health Tax Fund | Developer Road Fund | Campbell Co Health Services Incorporated Human Resource Fund | Capital Projects Fund | Total Governmental Funds |
| \$ 645,533 | \$ | \$ | \$ | \$ 968,334 |
| 78,954 | | | | 97,704 |
| | 28,592 | 185,687 | | 228,716 |
| 6,781 | | | 65 | 7,977 |
| 731,268 | 28,592 | 185,687 | 65 | 1,302,731 |
| | | | | |
| 618,508 | | | | 831,803 |
| | | 145,989 | | 239,252 |
| | | | | 1,252 |
| | | | | 9,884 |
| | | | 790,685 | 798,185 |
| 280 | | | | 10,741 |
| 618,788 | | 145,989 | 790,685 | 1,891,117 |
| | | | | |
| 112,480 | 28,592 | 39,698 | (790,620) | (588,386) |
| | | | | |
| | 5,265 | | 790,620 | 835,885 |
| (144,000) | | (39,698) | | (183,698) |
| (144,000) | 5,265 | (39,698) | 790,620 | 652,187 |
| | | | | |
| (31,520) | 33,857 | | | 63,801 |
| 611,499 | | 5 | | 786,528 |
| \$ 579,979 | \$ 33,857 | \$ 5 | \$ 0 | \$ 850,329 |

**CAMPBELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2003

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell County.
2. Two reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report. One of these reportable conditions is considered a material weakness.
3. Three instances of noncompliance material to the financial statements of Campbell County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Campbell County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Campbell County reported in Part C of this schedule.
7. The programs tested as major programs were: Housing Choice Voucher Program and the Section 236 Direct Loan
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Campbell County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Reference Number 2003-1

The Fiscal Court Should Cancel Healthcare Premiums For Terminated Employees In A Timely Manner

During our audit, we noted that some healthcare premiums are continuing to be paid after an employee has terminated his/her employment with the Fiscal Court. Upon examination of the May 2003 healthcare premium bill, we noted that an employee was paid severance pay for the week ended January 26, 2002, and her premiums of \$275 (single plan) were still being paid on the May 2003 billing. On the same bill we noted a premium for a husband/wife policy of \$577 was paid for an employee terminated August 26, 2002. We understand that it is the insurance company's policy to refund up to three months of premiums for terminated employees, but the Fiscal Court would not be able to obtain refunds on the balance of the overpayments. If the Fiscal Court received refunds for the three months, then the Fiscal Court would be paying for six months of extra premiums \$3,460(husband/wife premium). The Fiscal Court paid 13 months of premiums, unrefundable, on the single plan or \$3,570 for the single plan. This was a total of \$7,031 of Fiscal Court's money spent unnecessarily for these two employees alone. We recommend that the Fiscal Court carefully monitor their healthcare premium bills and immediately remove any terminated employee.

We also noted that when premium amounts were refunded, they were deposited into the healthcare premium account. They should be distributed to the respective funds that the premiums were paid from. We recommend that the Fiscal Court deposit the refunds into the correct fund immediately upon receipt.

**CAMPBELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2003
(Continued)**

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

Reference Number 2003-1 (Continued)

The Fiscal Court Should Cancel Healthcare Premiums For Terminated Employees In A Timely Manner (Continued)

Director of Finance James D. Seibert's Response:

The problem is related to the lack of communications regarding jail and Dispatch employees that terminated employment. Naguanda Deaton, Personnel Director has corrected the problem by making sure that she receives notification of employees that terminate from these departments. Our healthcare insurer is now providing us with a departmental breakdown of employees that will enable us to better track refunds so that we can apply them to the correct fund. Also, beginning FY 2004/2005 employees began paying 5% of their health insurance premium. This 5% is being payroll deducted, assuring premiums are being paid by active employees.

Reference Number 2003-2

The Fiscal Court Should Account For Compensatory Time Earned and Used

We noted that compensatory time is not always accounted for correctly, especially at the Manager or Director level. Whenever any employee (excluding elected officials) works above their normal schedule, they should document the additional time on their timesheets. When using the earned time by taking off, they should document this on their timesheets. Per Section 344.06 in the Campbell County Administrative Code-"Employees Grade 37 or lower will be given compensatory time at the rate of 1-1/2 times each hour worked in excess of forty (40) hours per week. The fiscal court is to be provided a report by pay periods of all overtime and compensatory time." Also, per KRS 337.320, "Every employer shall keep a record of: (a) The amount paid each pay period to each employee; (b) the hours worked each day and each week by each employee; and (c) such information as the secretary requires." The Payroll Clerk should have a complete record for everyone including the pay grade for each employee. She has stated that many times she receives the compensatory hours earned - but not always the compensatory hours used. She is also not receiving a report as is mentioned in the Administrative Code. We recommend that all employees correctly maintain their timesheets and also that the Managers/Directors submit to the Payroll Clerk the aforementioned report on overtime and compensatory time earned and used.

County Treasurer Diane E. Bertke's Response:

We have discovered that a change is needed in our administrative ordinances to define the correct method of handling compensatory time. Once we make corrections to our administrative ordinances, we will instruct department heads and directors to comply with the proper recording of comp time. We will also look at revamping our timesheets to better track comp time earned and comp time taken.

CAMPBELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2003
(Continued)

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

Reference Number 2003-3

The County Should Employ Adequate Controls Over Signature Plate

During the course of the audit, it was noted that checks were signed with a dual signature plate. The purpose for dual signatures on checks is to enhance internal control; and by using this plate internal control is compromised. Although there is a control on the dual signature machine, which requires two keys to operate it, currently both keys are stored in the same place. We recommend in the future that these keys be separated so that two individuals must be present to operate the dual signature plate machine. Presently the person operating the machine is maintaining a log of each check run. We also recommend that a different individual maintain this log and that it be compared to actual checks run.

County Treasurer Diane E. Bertke's Response:

Procedures are now in place to rectify the above.

Reference Number 2003-4

The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Campbell County utilized five separate depositories. On August 31, 2002, \$178,370 of the county's deposits of public funds in one depository institution were uninsured and unsecured. This amount included deposits from A. J. Jolly Park and Public Properties, which were audited by other auditors. Their reports have been blended into this report. At this same depository on June 30, 2003, \$91,513 of the county's deposits were uninsured and unsecured. This also includes deposits from A. J. Jolly Park and Public Properties. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the county require the depository institutions to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

County Treasurer Diane E. Bertke's Response:

This has been rectified.

CAMPBELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2003
(Continued)

Reference Number 2003-5

The County Jailer Should Maintain Minimum Records As Prescribed By The State Local Finance Officer Pursuant To KRS 68.210

During the course of the audit, it was noted that the County Jailer was not properly preparing and maintaining the following:

1. Daily check out sheets
2. Receipts Journal
3. Disbursements Journal
4. Summary and Reconciliation

Although the jailer did have daily check out sheets, they did not adequately classify receipts, and receipts were not posted to a receipts ledger. We recommend that the Jailer maintain these records in the future.

County Jailer Greg Buckler's Response:

Looking at switching commissary company.

PRIOR YEAR FINDINGS FINANCIAL STATEMENT AUDIT

The County Should Utilize Adequate Internal Controls Over Signature Plate

Repeated in current year

The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Repeated in current year

The County Should Maintain a Receipts Ledger For Insurance Tax Premium Receipts

Corrected in current year

The County Should Maintain Timesheets On All Employees With the Exception of Elected Officials

Corrected in current year

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM
AUDIT**

None.

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CAMPBELL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2003

CAMPBELL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2003

| Federal Grantor Program Title <u>Grant Name (CFDA #)</u> | <u>Pass-Through Grantor's Number</u> | <u>Expenditures</u> |
|---|--|---------------------|
| Cash Programs: | | |
| U.S. Department Of Housing And <u>Urban Development</u> | | |
| Direct Program: | | |
| Housing Choice Voucher Program (CFDA #14.871 (Note 2)) | KY136VO | \$ 3,450,255 |
| Section 236 Direct Loan (CFDA #14.138 (Note 2)) | N/A | 595,931 |
| Section 201 Flexible Subsidy Loan (CFDA #14.164) (Note 2) | N/A | 151,464 |
| Section 8 Housing Assistance Payments (CFDA #14.859) (Note 2) | N/A | 47,404 |
| Passed-Through Governor's Office For Local Development: | | |
| Emergency Shelter Grants Program(CFDA #14.231) | SO2-DC-0001 | 10,000 |
| Community Development Block Grants-Campbell County Water Expansion Project (CFDA #14.228) | B-98-DC-21-0001(007) | <u>7,500</u> |
| Total U.S. Department Of Housing And Urban Development | | <u>\$ 4,262,554</u> |
| <u>U.S. Department of Justice</u> | | |
| Direct Program: | | |
| Bulletproof Vest Partnership Program (CFDA # 16.607) | NA | \$ 1,179 |
| Public Safety Partnership & Community Policing Grant (CFDA # 16.710) | 2002-SH-W X-0333 | 20,040 |
| Supervised Visitation & Safe Havens Exchange(CFDA #16.527) | 2002-CW -BX-0010 | 77,436 |
| Passed Throug Governor's Office For Local Development | | |
| Title V Delinquency Prevention Program(CFDA #16.548) | 2001-JP-FX-2021 | <u>41,606</u> |
| Total U.S. Department of Justice | | <u>\$ 140,261</u> |

CAMPBELL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2003
(Continued)

| Federal Grantor Program Title <u>Grant Name (CFDA #)</u> | <u>Pass-Through Grantor's Number</u> | <u>Expenditures</u> |
|---|--|----------------------------|
| <u>U.S. Federal Emergency Management Agency</u> | | |
| Passed Through State Department Of Military Affairs - Disaster And Emergency And Assistance Grant- Coordinator Salary (CFDA # 83.503) | N/A | \$ 12,644 |
| Hazard Mitigaton Grant Siren Project (CFDA # 83.548) | 1216-DR-KY-015 | <u>120,150</u> |
| Total U.S. Federal Emergency Management Agency | | <u>\$ 132,794</u> |
| Total Cash Expenditures of Federal Awards | | <u><u>\$ 4,535,609</u></u> |

CAMPBELL COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2003

- Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Campbell County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.
- Note 2 - The Campbell County Section Eight Existing Housing, Housing Voucher Program, Section 236 Direct Loan, Section 201 Flexible Subsidy Loan, and Section Eight Housing Assistance Payments were audited by others. Those auditors performed compliance testing, and their reports have been blended within the financial statements of the county.

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Steve Pendery, Campbell County Judge/Executive
Members of the Campbell County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky, as of and for the year ended June 30, 2003, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated April 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Campbell County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing opinions on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such opinions. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and are described in the schedule of findings and questioned costs.

Reference Number 2003-2: Employees of the Fiscal Court Should Account For Compensatory Time Earned and Used

Reference Number 2003-4: The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Reference Number 2003-5: The County Jailer Should Maintain Minimum Records As Prescribed By The State Local Finance Officer Pursuant To KRS 68.210



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Campbell County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Campbell County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs.

Reference Number 2003-1: The Fiscal Court Should Cancel Healthcare Premiums For Terminated Employees In A Timely Manner.

Reference Number 2003-3: The Fiscal Court Should Employ Adequate Controls Over Signature Plate

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the following to be a material weakness.

Reference Number 2003-3: The Fiscal Court Should Employ Adequate Controls Over Signature Plate

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
April 29, 2005

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Steve Pendery, Campbell County Judge/Executive
Members of the Campbell County Fiscal Court

**Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133**

Compliance

We have audited the compliance of Campbell County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. We did not audit the compliance of the Campbell County Housing Choice Voucher Program and the Section 236 Direct Loan Program. Compliance requirements described in the OMB Circular A-133 Compliance Supplement applicable to the Campbell County Housing Choice Voucher Program and the Section 236 Direct Loan Program were audited by other auditors. Our opinion presented herein, insofar as it relates to the Campbell County Housing Choice Voucher Program and the Section 236 Direct Loan Programs based solely on the report of the other auditors. Campbell County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Campbell County's management. Our responsibility is to express an opinion on Campbell County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Campbell County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Campbell County's compliance with those requirements.

In our opinion, based on our report and the reports of other auditors, Campbell County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.



Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of Campbell County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Campbell County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
April 29, 2005

**CERTIFICATION OF COMPLIANCE –
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**


CAMPBELL COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2003

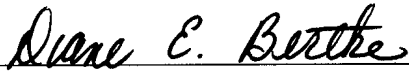
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CAMPBELL COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2003

The Campbell County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer